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The British Loan

By HON. JOHN L. McCLELLAN
U. S. Senator from Arkansas

Democratic Member of Senate Committee on Commerce, Warning Against Hasty Action by Congress in Approving British Loan, Poses Following Questions for Consideration (1) Does There Exist a Real Necessity for Loan; (2) Does Government Possess Resources and Ability to Provide It Without Impairing Economic Security; (3) Do Terms of Loan Serve Best Interests of Both Goverments; and (4) Can British Government Meet the Obligations Imposed.

John L. McClellan

The proposed loan to Britain should be regarded as the first in a series of loans that our Government will be asked to make to foreign countries. The terms of this loan have been negotiated by representatives of the two governments and the Parliament of Britain has already voted ratification or acceptance. Final approval and the ultimate consumation of this transaction is now awaiting

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Will Great Britain Adopt A Multilateral Trade System?

By DR. WILLIAM F. HAUHART

Formerly Dean of the School of Business of Southern Methodist University. Author of "England's Decadent International Economy."

Expert on Britain's International Economy, in Pointing Out the Difficulties Involved in British Adoption of Multilateral Trading, Contends That Britain Deliberately Chose a Controlled Economy With Tariffs, Cartels, Trade Preferences and Other Bilateral Arrangements. Holds British Tariffs Are as High as Our Own, and That the Sterling Area Is a Threat to Free Trade. Concludes That British Are Strongly Averse to Anchoring the Pound to the Dollar, and in View of This Situation, Expresses Belief That They Will Give Lip Service Only to Conditions of the American Loan, Which They Feel They Accepted "Under Duress."

Dr. Wm. F. Hauhart

Some of our leading bankers and industrial leaders have emphasized that our primary goal in extending credit to England should be the promotion of multilateral trade. I grant this should be the object we are striving for, but the question is still open whether England, in view of her commitments of the past decade, both economic and political, is willing or even able to adopt a multilateral system of trade. Dr. Paul Einzig in his recent excellent report of the British reaction to the American loan ("Chronicle" Dec. 27, page 3159) brought out, that when the discussion took place in Parliament, "the number of those who welcomed multilateral trade for its own sake was negligible." He added that the Chairman of the Liberal Party

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Inflation Psychology

By MELCHIOR PALYI

Defining Inflation, Figuratively, as "a Set of Conditions Under Which People Expect to Find Money on the Street and Spend It Accordingly," Dr. Palyi Notes That With These Conditions Absent, There Are Strong Deflationary Potentialities Which Are Being Subdued Through Price Fixing and Absence of "Full Production." Sees Inflation Potential in Continuous Paper Money Expansion and Concludes That "in the Face of One of the Fastest Deflations in American History," as Represented by Rapid Change From War to Peace Production, the Trend Is "Bullish" and "Business Cycle" Being Distorted.

To define inflation is just about as easy as to define religion or love. There are as many definitions of inflation as there are monetary economists, some of whom follow the learned professor A. C. Pigou and abolish the word altogether—a procedure as intelligent as to strike the name of an ailment out of the medical dictionary. Provided it shall not be quoted, I suggest defining inflation as a set of conditions under which people expect to find money "on the street," and spend accordingly. This is of course entirely unacademic, but it

Dr. Melchior Palyi

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The Need for New Labor Law

By DONALD R. RICHBERG*

Prominent Attorney and Publicist Sees Peril to Democratic Government if Unrestricted Right to Strike Is Given to Labor Unions. Holds Labor Leaders Are Opposed to Impartial Government and, if Unrestrained, They Have Power to Paralyze Nation's Energies Through Work Stoppages and Physical or Political Intimidation. Urges a National Law to Prohibit Serious Strikes and to Require When Demanded by Public Interests, Compulsory Arbitration.

Donald R. Richberg

There is no effective program of industrial peace which will be supported today by the most conspicuous leaders of organized labor; and business managers are so divided and confused that they have no accepted program. But the American people in overwhelming numbers, including a large majority of labor unionists, want the Congress to pass a law that will end, or at least minimize, industrial warfare.

The active opposition comes mainly from leaders of labor and management who are hoping that they can win a few big battles and then dictate the terms of peace. Every proposal to lay

*Address by Mr. Richberg before the Sales Executives' Club in New York City, Jan. 15, 1946. Mr. Richberg is a member of the Washington law firm of Davies, Richberg, Beebe, Busick & Richardson.

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The Government, the Banks and the National Debt

By SIMEON E. LELAND*
Professor of Government Finance
University of Chicago

Stressing the Importance of the National Debt in Shaping Our Future Economy, Dr. Leland Points Out That (1) the Debt Now Exceeds All Other Debts, Public and Private Combined; (2) That Commercial Banks Hold More Than 30% of Debts; and (3) That Insurance and Other Investment Institutions Have Almost One-Half of Their Total Assets in U. S. Securities. Sees Potentiality of Inflationary Boom in Large Debt Holdings of Banks, and, Because There Is Little Possibility of Debt Reduction in Next Few Decades, Urges Caution in Solving Difficult Problem of Future National Debt Management. Proposes Two Alternate Solutions: (1) Creation of Special Non-Marketable Securities for Banks, and (2) Transfer of Debt From Member Banks to Federal Reserve Banks, and Direct Borrowing of Government From Reserve Banks Under New Reserve Restrictions.

The national debt, by reason of wars and depression, has become so large that the problems created by it can no longer escape attention, if indeed the public debt, regardless of size, has not always been a matter of major concern to citizens. The solution of debt problems, or at any rate the way they are handled, may affect not only the financial operations and economic policies of the Federal government, but will probably have important repercussions also upon the whole economy, influencing levels of production, employment, income flows, the volume of credit, bank

Simeon E. Leland

*For footnote reference data see page 281.

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Wanted: A New Federal Policy on Utilities

By ELISHA M. FRIEDMAN

Consulting Economist States That Government's Disintegration Efforts During the Past Decade Have Been Futile and Destructive. He Urges the Need for Examining Policies of Foreign Governments on Utilities. Declares That Our Alternative Is Either to Follow the Successful British Experience in Consolidations (Railroads) to the Benefit of Shipper, Investor and Public; Or Else to Continue Our Utility "Fragmentation Policy" Resulting in Tax-Exempt "Splinters" Which Will Retard and Possibly Prevent Ultimate Government Ownership.

I

The "death-sentence" clause is up before the United States Supreme Court. The highest court is soon to rule whether or not disintegration of the utility holding companies is constitutional. It will not say whether disintegration is sound economic policy. Nor will the court decide whether it benefits the consumer, the investor or the public. Yet these more important aspects require analysis and exploration. These questions were developed in a two-volume report prepared, as a public service and at my own expense, at the request on Feb. 12, 1943, of Hon. Clarence F. Lea, Chairman of the Committee on Interstate and Foreign Commerce of the House of Representatives, and in a series of letters to him from 1943 to 1945. An abstract of that report follows.

Elisha Friedman

A summary was presented to the Securities Sub-Committee of the House Committee on Interstate and Foreign Commerce. Soon, the heads of the leading public utility holding companies will appear before this Committee. But they will not deal with the basic problems discussed in the report.

I shall not defend the old managements of the 20's. They sinned and were visited with punishment. New managements have taken over. Younger men, some from other industries, are now in charge. Nor shall I speak for them. I plead on behalf of the public, the consumer, the investor and the taxpayer.

II.

My recommendations, in summary, are as follows:

1. **Order the industry to prepare a plan to integrate the utilities into regional systems under Section 30 of the Public Utility Holding Company Act of 1935, and apply the disintegration clause, Section 11, only against companies that that refuse to integrate.**

2. **Abolish the search for original cost and all rate making based on cost, whether original, aboriginal, or reproduction cost, prudent investment value, or yardstick plant. Instead, use the sliding scale, a device proven for almost a hundred years in Great Britain, whereby the annual in-**

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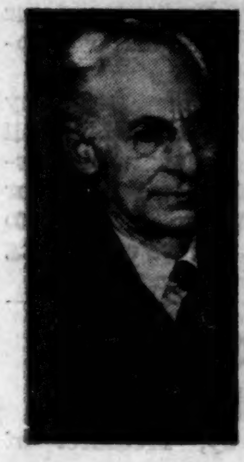
The Economic and Moral Aspects of "Disclosure"

By A. M. SAKOLSKI

Full Disclosure Philosophy if Applied to Business Generally Would Wreck Business Economy. SEC's "Full Disclosure" Theory, as Applied in Recent Oxford Co. Case as Well as Several Others, Would Destroy Free Markets, Eliminate Small Dealers and Lead to Monopoly in Securities Marketing. The Ethics of Individual Independent Bargaining Between Dealers and Customers Defended by Economists and Philosophers as in the Public Interest.

I.

The insidious attempts of the Securities and Exchange Commission to enforce a "full disclosure rule," whereby a securities dealer will be required to disclose to his customer the price which he has paid for a security he is offering for sale or the price at which he proposes to sell that which he offers to buy, not only departs from trading principles and technique established from the beginning of commercial transactions, but it also destroys the very basis upon which bargaining and exchange, as a human every day activity, has always been conducted. Individual free bargaining on the part of buyers and sellers has been long recognized as the means whereby market prices, reflecting the equilibrium of supply and demand factors, have been established. It was Adam Smith, who over a century and a half ago, in elaborating on the factors which determine the prices of commodities, wrote in "The Wealth of Nations" (Bk. I, Chap. V): "It (i. e. the price of a commodity) is adjusted



A. M. Sakolski

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SEC's Disclosure Philosophy Would Doom Small Dealers

Anonymous Security Dealer, So Holding, Writes "Chronicle" That There Is No End to the Ambitions of Self-Appointed "Saviors of Humanity" and Urges Large Houses Not to Sit By and Wait for the Next Atomic Bomb.

The "Chronicle" has received the following letter from a small securities dealer in Maryland, who desires his identity be not disclosed, "as to do so might bring to my office SEC officials for examination every month, and my business cannot be conducted with such interruptions":

Editor, "Commercial and Financial Chronicle":

Your editorial concerning the SEC's latest raid on small dealers was timely and to the point. It seems to me that the small dealer is faced with one of three alternatives if this new doctrine regarding physical possession of securities is carried through: 1st, he can close up shop and go with a large house; 2nd, he can confine himself to brokerage transactions and go into bankruptcy; and, 3rd, he can inventory everything he suggests to customers and, eventually, arrive at bankruptcy by that route.

This decision poses no problem for large investment organizations nor does it cut their profits nor does it do anything except necessitate some slight changes in bookkeeping. The small dealer is threatened with extinction, which may be what the SEC wants. Or their zeal may be traced to the old New Deal vindictive animosity toward anyone who is making a decent living. Surely the SEC knows very well that a small, independent dealer in securities who looks up his own investment suggestions, cuts customer's coupons for them, makes out their income tax returns, delivers securities to them personally and advises them 20 times a day concerning all their financial problems cannot possibly remain in

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Inflation in the Stock Market

By EMIL SCHRAM*

President New York Stock Exchange

Stock Exchange President Regards the Market Not As a Creator of Inflation, but a Thermometer Reflecting the Public's Views Concerning Our Readjustment to Peace. Stating That the Prevention of Runaway Inflation Requires a Most Resolute Government Attitude, He Urges Realistic Fiscal and Labor Policies, and the Abolition of Unnecessary Controls Over Our Productive Capacity. Asserts That Investment in Common Stocks as Well as Other Securities Is Sound Only if Inflation Is Avoided.

It is understandable that people all over our country, no matter how distant from New York, should be interested in the work of the New York Stock Exchange. For, though "New York" is part of its official name, this exchange is truly a national market—relatively as important a factor in the commercial life of Indianapolis as in New York City.

Emil Schram

Because of the renewed interest in the market, as evidenced by the revival of activity there after a prolonged period of dullness, a number of questions are being raised today as to the significance of the increasing demand for the securities of our publicly owned enterprises such as those listed on our Exchange. The question that appears to be uppermost in the minds of many people turns around the problem of inflation. There is an impression in the minds of many that the stock market is creating inflation. That impression is warranted, in my opinion, to only a very limited extent.

Being the very sensitive ther-

*Remarks by Mr. Schram before the Indianapolis Chamber of Commerce, Jan. 16, 1946.

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Dealers Citation of SEC Argued

Both the Commission and the Dealers Agree That the Issue Raised Is Novel

On Jan. 11, before Judge Mandelbaum, at the United States District Court in New York, argument proceeded on an application made by some 30 security dealers throughout the country for a direction that the Securities and Exchange Commission be compelled to enter a final order in the proceedings which it initiated relating to by-law amendments of the National Association of Securities Dealers.

These amendments provided for the registration with the NASD of salesmen, traders, partners, etc., and also empowered NASD Governors, in the future, to submit by-laws to its membership as safeguards against "unreasonable profits, unreasonable commissions, and other charges."

The Argument

The parties having represented to the court that the issue of law raised was a novel one, Abraham M. Metz and Edward A. Kole, attorneys for the petitioners, contended that the Commission was without authority to leave a proceeding hanging in the air, and that having instituted such a proceeding, the Commission was in duty bound to enter a final order terminating it at its conclusion.

Mr. Kole said:

"It is true with respect to the instant by-laws that

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British Await U. S. Loan Ratification

By PAUL EINZIG

London Observer Notes the Antagonistic Attitude of British Statesmen and Politicians Toward Any Congressional Action Which Would Definitely Commit Great Britain to Surrender the Imperial Preference Principles Without a Counter-Commitment to Lower U. S. Tariffs. Fear Expressed in Some Quarters That Congress May Set as a Condition to Loan That British Abstain From Further Nationalization, but This Would Mean Interference With Internal Affairs and Receive a Flat Rejection. Congressional Delays Annoying to British.

LONDON, ENGLAND.—The controversy over the Washington Financial Agreement has, for the moment, subsided. Its defeated opponents realize that there is nothing to be done but to accept their defeat, and to await developments on the other side of the Atlantic. They are convinced that the Agreement will not have a smooth passage in Congress, and are hoping against hope that it might even be rejected. What they consider much more probable is that Congress, without rejecting the Agreement outright, might make its ratification subject to conditions which the British Government would find unacceptable.

Paul Einzig

Supporters of the Agreement, too, are half expecting Congress further to stiffen the terms. Few people are inclined to accept the view that, since the American negotiators had been all along in close contact with Congressional opinion, the Agreement is, as it stands, necessarily acceptable to the majority of Congress. It is true, many concessions were made by the British negotiators on the strength of the argument that, unless they were made, Congress would not ratify the deal. Most people over

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NSTA Studying SEC Disclosure Philosophy Inherent in SEC Oxford Company Decision

Prompted by SEC Espousing "Riskless Transactions" Theory in Opinions and Findings.

Victor Mosley, of Stroud & Co., Philadelphia, Chairman of the Corporate Committee on the National Security Traders Association, has advised all members of the Association that the Committee and officers of the Association are studying carefully the "Oxford" case decision in which the Securities and Exchange Commission indicates that it devolves upon a dealer under certain circumstances to act as a broker and go in for "full disclosure."

R. V. Mosley

Mr. Mosley says that the subject will be taken up at the meeting of the National Committee in Chicago on Jan. 30, at which time, after a thorough study by counsel, it will be determined what action, if any, to take in the matter.

An editorial on the disclosure doctrine espoused by the SEC in the instant case appeared in the "Chronicle" of Jan. 10 (page 123) under the caption: "A Self-Appointed Legislature." In this article the "Chronicle" indicates that the SEC lacks the power in its opinion to change trade custom in the securities business by foisting this philosophy on the securities industry.

Britain Faces Peace

By HERBERT MORRISON*
Lord President of the Council (Great Britain)
Majority Leader, House of Commons

Revealing Britain's Heavy War Sacrifices and the Continuing Shortages of Supplies for Consumption and Materials for Reconstruction, Leading British Cabinet Officer Expresses Optimism as to Final Relief and Rehabilitation. Holds Since War Has Left Britain "Poor in Money," British People Adopted a New Order in Economic Affairs That Is "Tight and Annoying" and Predicts There Will Be No Repetition of Too Early Scrapping of Economic Controls as After Last War, Which Led to Depression "From Which We Never Really Recovered." Asserts That British National Recovery Rests to a Great Extent on World Recovery.

When an American comes into a British home, or when a Briton comes into an American home, and the families sit talking, they usually get to talking about the things which really matter — the everyday things of family life. Your soldiers used to tell us about their wives and mothers and children, about their homes, about their work, and above all, about what they planned to do when the war was won and they were back home again. So now, I, a Londoner, am visiting you, and I think that you may like me to talk to you about the way we live in Britain and what we plan to do now that the war is over.

Herbert Morrison

First, though, I want to say this to your soldiers who stayed with us for a time. We are people who don't open our front doors easily, but I want to tell you how much we enjoyed our contacts with you. Your stay with us has resulted in thousands of friendships of the lasting sort, including many Anglo-American marriages, and has helped us to understand each other better. And if we could have done much more for you in peacetime in the matter of food, smokes and drinks, well, you always showed that you were fully aware of our wartime difficulties and we appreciated that.

Germany failed more than any to take our measure. Like all peoples with an adventurous history behind them, we have our funny ways. We've got used to living on an island; we've a strong

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*An address by Mr. Morrison made over radio from the British Embassy in Washington, D. C. and broadcast over the Columbia Broadcasting System, Jan. 12, 1946.

Cortney to Discuss Employment Policy

Philip Cortney, Treasurer of Coty's Inc., will speak on "Full Employment — the Central Issue of the Labor Crisis," at the New School for Social Research Jan. 24 at 8:30 p.m. Dr. Cortney, internationally known economist and author of many articles and books on inflation phenomena, will analyze current schemes for subsidized employment, as they apply to our long-term labor policy.

Philip Cortney

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Wants Free Enterprise's Accomplishments Publicized

Dean McCarthy, of Notre Dame University, Asserts Management Has Failed to Tell American People the Glorious Achievements of Private Enterprise and Urges an Advertising Campaign to Re-establish the ABC's of Economics. Holds State of "Economic Literacy" in U. S. Is Low and That an Era of New Enlightenment "Is Desperately Needed."

Vigorous employment of newspaper and other advertising media to educate the American people on the achievements of American free enterprise and thus further industrial peace, understanding and prosperity in the United States, is advocated by Dean James E. McCarthy of the College of Commerce, University of Notre Dame.


James E. McCarthy

Dean McCarthy, who is a leading economist, stated these views in a speech at the annual banquet of the National Retail Dry Goods Association on Jan. 7, at the Hotel Pennsylvania, New York.

"Management," Dean McCarthy declared, "has failed to tell the American people the story of the glorious achievements of American industry and the partnership concept that every single worker has in the structure and anatomy of American industrialism." This has resulted in what he described as an "appalling low state of economic literacy among the American people."

Continuing, he said, in part: "We must return to elementary things and employ the ABC's of economics—through the information channels now in existence—to vigorously educate our people and tell them of the glorious achievements of American free enterprise, and to educate them completely and honestly respecting the merit and worth and value of what we have and of the destinies we can achieve in working together toward a common goal.

"Successfully planned and successfully executed we can make our people literate respecting the way jobs are created—what tools do in creating more jobs and more things and more comfort and more leisure—of the necessity of encouragement of venture capitalism—of the necessity of accelerated production, since we may only have what we produce.

"I am convinced that the starting point for a proposed campaign of education, designed *to promote economic literacy*, must start with a marshalling of all the forces of advertising. And that every medium, newspaper, magazine, outdoor and radio and direct mail service must be constituted as armies with specific objectives to be achieved. Their efforts must be synchronized and coordinated, for no one medium is capable of bringing sufficient fire-power into the battle.

"Through newspapers, magazines, billboards and radio the industrial clients must, in simple, reportorial form, point-up the false economic concepts that have gained circulation—and without lecturing or shouting—or finger-pointing—or talking down—tell a constant story of how we live—of the sources of our wealth—and of the part tools play and perform in giving us better food and shelter and comfort goods than any other people—and the rights and obligations of both the workers and the owners of the tools—to explain what a dividend is and the part it plays in supporting our commercial system—to explain in understandable terms what depreciation-depletion and reserves actually are and how they are made to work for the preservation of jobs—to explain taxes and why we pay them. . . .

"That the state of economic literacy among our people is appallingly low and in need of clarity is manifest, I believe, and can be well documented by the number of disputes that have occurred during the past decade between management and workers—between contesting labor organizations—between so-called liberals and conservatives—between leftists and traditionalists, and between those professing conflicting political faiths. The essence of the differences of these contending elements, in our times, have their roots deep in conflicting economic

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Our Foreign Policy—Courage or Chaos

By JOHN ABBINK*

Chairman, National Foreign Trade Council, President, Business Publishers International Corp.

Leading Foreign Trade Expert Calls Attention to Continuance of a "War-Tension" Which Is the Result of a Confusion of Foreign Policies and Creates a Condition Bordering on Chaos in Foreign Trade. Urges U. S. Maintain Its Leadership in Proclaiming a Definite Foreign Policy and Continue Its Support of Free Enterprise and Its Opposition to Fascism "Whether of a Hitler or Lenin Variety." Outlines Seventeen Points in a Foreign Policy of the United States Proposed by the National Foreign Council.

It is with some misgiving that I venture to discuss the foreign policy of the United States on this particular occasion. When your President advised me some weeks ago of the honor you proposed for me today, there had been no testimony on one phase of the subject from that explosive diplomat-in-uniform, General Patrick J. Hurley; nor had the country been lulled once more to near-complacency by the adroit phrasing of a Secretary of State recently returned from Moscow. To my further discomfiture, I learned only last week that the senior Senator from Michigan, Mr. Vandenberg, now is labelled "internationalist" in some sections of the country—an appellation that is less a reflection on him than an index of the astigmatism of his would-be detractors.


John Abbink

All indicators point to the conclusion that as a people we have not yet passed through the period of let-down from war tension sufficiently to realize our predicament in what is virtually a new world, created by our military and industrial might. Reconversion problems, and concurrent difficulties with labor which loom on every hand, are forcing us to awaken from our lethargy, but there is still an apathy among us toward international developments that is ominous.

In the circumstances a commentator on foreign policy who speaks

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*An address by Mr. Abbink before the Economic Club of Detroit, Jan. 7, 1946.

The British Loan— A Good Investment

By HON. FRED M. VINSON*
Secretary of the Treasury

Stressing the Importance of Restoring a Sound World Economy as a Basis for a Lasting Peace, Secretary Vinson Asserts That Unless We Do Our Part, There Will Be Renewal of Economic Isolation and Restricted World Commerce. Points Out Britain's Unbalanced Economic Position and the Need for Largely Expanded British Imports as Well as Exports, and Holds the Anglo-American Loan Agreement Has Been Worked Out Carefully to Permit Removals on Exchange Restrictions. Decries Criticism of Loan Made Both Here and in Britain, and Says the Results Mark Real Progress Not Only as "a Financial Agreement," but as Showing That All Countries Must Work Together to Maintain International Economic Relations.

The close of the war has brought to us and to the entire world new problems that are difficult and important. There is the problem of reconverting our industries to peacetime needs and maintaining a high level of production, employment, and national income. There is the problem of making a lasting peace through the cooperation of the United Nations. And there is the problem of restoring a world economy shattered by six years of destructive war.

Secretary Vinson

All of these problems are difficult. But we have no reason to be disheartened. We have met and solved difficult problems before. The very fact that we recognize them, that we are prepared to deal with them, is an encouraging indication that we are on the way to succeed. No doubt we shall make some mistakes; but we shall not repeat the great mistake we made after the last war—the mistake of doing nothing. We have learned a great truth: eternal vigilance is the price not only of liberty but of peace and prosperity.

All of these problems are interrelated. We cannot have a lasting peace without good economic conditions throughout the world. Neither can we have enduring prosperity throughout the world without lasting peace. We cannot have a high-level economy in this country without a stable world economy. Neither can the world economy be stable without prosperity in this country.

After the last war we had an opportunity to build a world in which countries could work together in peace and prosperity. We muffed that opportunity. International economic relations were allowed to break down. In-

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*An address by Secretary Vinson before the American Academy of Political and Social Science at Town Hall, Philadelphia, Pa., Jan. 9, 1946.

Should Congress Approve Loan to Great Britain?

By
HON. C. WAYLAND BROOKS*
U. S. Senator from Illinois
Member, Senate Commerce and Appropriations Committees

Senator Brooks Opposes the Loan Because: (1) It Comes to Congress Tied to Other Provisions, Such as Agreements on Lend-Lease Accounts and Program for Future Commercial Policy; (2) the British Don't Want the Loan, but "We Force Them to Take It"; (3) It Will Be a Gift, and Not a Loan; (4) It Does Not Give Us an Additional Island Base; (5) the Government of Great Britain Is Socialistic and Its Leaders Denounce Our Economy; (6) the Loan Is Unsecured and Will Be Forerunner of Many Similar Loans, and (7) the Loan Is Only a Stop-Gap Arrangement and Does Not Meet the Financial Needs of Great Britain.

I am opposed to the loan of $3,750,000,000 to Great Britain for many reasons.

First:

It was not presented to the British Parliament on its own merits and it will not be so presented to the American Congress on its merits.

Sen. C. W. Brooks

It was and will be presented in conjunction with the agreement finally settling all lease-lend accounts between the United States and Great Britain whereby we virtually for-

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By MERRYLE STANLEY RUKEYSER*
Economic and Financial Writer for International News Service

Financial Journalist, Although Favoring a Strong, Solvent Britain, Opposed the Loan on Ground That It Was Hatched in an Atmosphere of the Unreality of Lord Keynes' Economic Dream World. Recommends That Great Britain "Stop Being Fooled by Your Own Propaganda, and Make a Start Toward Genuine Recovery by Facing Realities." Holds Real Objection to the Loan Is That "It Is a Stone in the Larger Mosaic of Goofy Economics" and Sees Possibility of British Recovery By Using More Productive Methods.

As a father of four young sons, I am intensely interested in neighborly discussions of anything designed to prevent World War III. Certainly in taking a position on the proposed British loan, I don't want our friendly ally to be crucified for the historic sins of King George III. On the contrary, if we Americans intend to go in for postwar giving and grants-in-aid, I don't think we could subsidize a nicer country.

Merryle S. Rukeyser

In our own national interest, we, of course, want a strong, solvent Britain.

The real question about this proposed line of credit of $4,400,000,000, is whether it will accomplish the objective of putting a frendly ally on its feet. Frankly, Senator Radcliffe and Mr. Reed, I'm opposed to the whole atmosphere of unreality of Lord John Maynard Keynes' economic dream world, in which such schemes as this loan are incessantly being hatched for postponing the day of reckoning.

Let's call the roll. First they gilded the lily by calling our wartime grants-in-aid "LEND-LEASE." Then we were assured in 1944 that, if we kicked in $5,925,000,000 for the Bretton Woods financial machinery, we would create "a brave new world" through money management. At Bretton Woods, all the delegates had poker faces, and there was no disclosure then that the seductive Lord Keynes would be back again in a year to borrow from our Treasury 169% of the total maximum British capital contribution to the Bretton Woods Bank and Fund combined.

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By PHILLIP D. REED*
Chairman of Board, General Electric Company

Mr. Reed Holds That if Loan Isn't Made to Great Britain, the Prospects of Achieving and Maintaining High Employment and a Rising Standard of Living Become Very Dim. Says Britain's Difficulties Are Temporary and That She Has Productive Powers to Restore Her Prosperity but Without a Loan Can Partition the World Into Politically Controlled Economic Blocs. Looks Forward to Increased International Trade if Loan Is Granted, Which Trade Will Act as a Binder to Hold United Nations Together.

Let us look at this question of the British loan in terms of what it means to us here at home. Everyone will agree that three of the things we Americans want most are peace, high employment and a rising standard of living. "Right," you will say, "but what has that to do with the proposed loan to Britain?" My answer to that is that if we do not make the loan the prospects of our being able to achieve and maintain peace, high employment and a rising standard of living become very dim indeed.

Philip D. Reed

Now, by what reasoning have I come to this conclusion? Here it is very brifely:

Britain, although physically badly damaged by the war, and financially having gone from the world's largest creditor to its Number One debtor, is still a great manufacturing and trading nation. She has technical skill and experience, and her products are well and favorable known throughout the world. Britain went into debt during the war to such countries as India, Egypt, Australia, Ireland and Argentina because she had to buy heavily

*Addresses made by Sen. Brooks and Messrs. Rukeyser and Reed at Town Hall, New York, on Jan. 10, 1946, at "America's Town Meeting," over the American Broadcasting System.

(Continued on page 266)

The "Full" Employment Bills

By DR. WALTER E. SPAHR*
Professor of Economics, New York University
Secretary, Economists' National Committee on Monetary Policy

Dr. Spahr Reviews the Three Bills Introduced in Congress Involving the So-Called "Full Employment" Question, and Points Out That the Major Defects of the Administration's Bill Which Passed Senate in Modified Form Is Its Requirement of a Forecast of Future Economic Conditions, i.e., the So-Called National Budget. Maintains That This Feature Is Unworkable as There Is No Accurate Data on Items Which Comprise the "Budget" and That Lack of Agreement on Economic Concepts, Such as "Full Employment," Will Lead to Action Based on Dangerous Guesswork. Gives Illustrations of Erroneous Government Forecasting, and Sees Little Harm in the House Bill, Which Eliminates the Necessity of Calculating a National Budget.

Three bills, involving the so-called full-employment question, have been, or are being, seriously considered by Congress:

(1) The Wagner-Murray Bill, S. 380, which passed the Senate in modified form and was sent to the House for consideration.

Dr. Walter E. Spahr

(2) The so-called Patman Bill, H. R. 2202 in the House, which was, except for minor differences, identical with the original Senate bill S. 380.

(3) The Employment-Production bill prepared by the House Committee on Expenditures of Executive Departments after hearings on the other two bills, and passed by the House on December 14 as a radically revised S. 380.

(Representative LaFollette of Indiana introduced a Full Employment bill, H. R. 4181, on Sept. 25, but it received little attention and can be ignored.)

Most of the discussion of the advisability of trying to legislate unemployment out of existence centered around the provisions of H. R. 2202 and the original S. 380. It is in the notions involved in those bills that we find the issues that need clarification. By concentrating on them we should see more clearly what the Senate did in its modified S. 380, and what the House Committee did when it threw out practically all of the modified S. 380 and practically all of H. R. 2202 and wrote a new bill called the Employment-Production Act of 1945. This bill is now in conference committee of the House and Senate.

The modified Senate bill, as passed by the Senate, had practically nothing in it to commend it. The House bill 2202 was ill-advised and dangerous. The new Employment-Production bill avoids the serious mistakes in these bills and should enable the Federal Government to accomplish all that can reasonably be expected from legislation designed to prevent or to reduce an undesirable amount of unemployment.

The provisions of this last bill will be summarized briefly after we have examined some of the major issues that have been, and still are, before Congress and the country in connection, principally, with the proposals involved in H. R. 2202 and the Senate's modified S. 380. It is particularly desirable that this be done since there are strong elements in Congress and in administrative circles who hope to insert as many of the provisions of these bills as they can in the new one now in the conference committee. President Truman originally urged support of H. R. 2202. On December 20, he urged the conferees to support at least the major provisions of the Senate-modified Full-Employment bill.

The wide and chiefly lay approval given the Patman bill, H. R. 2202, apparently grew out of the fact that it was drafted in a manner calculated to win approval more or less automatically from laymen who would not or could not read between the lines or grasp the dangerous implications involved. The principal device employed to accomplish this aim was the incorporation in the bill of a lengthy declaration of supposedly-admirable purposes. Such material is in the nature of a preamble; and, were that bill passed, such material would not be law despite the fact that it follows the enacting clause. The general public doubtless does not understand this fact.

"Legislating by preamble," a device that has been employed extensively in Washington in recent years, cannot be defended in legislative law; and it is dangerous because it is used to mislead a trusting public. Representative John Robsion of Kentucky described this preamble material accurately when he said that ". . . it required a master-mind to think up and write out all these promises. It is nothing short of Utopia itself. Nothing is omitted to beguile the unthinking." *(Congressional Record*, Dec. 15, p. A5968. The new House bill also contains

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*An address by Dr. Spahr before the Controllers' Congress, National Retail Dry Goods Association, Jan. 10, 1946, at Hotel Pennsylvania, New York City.

Farmer's Stake in Full Employment

By HON. HENRY A. WALLACE*
Secretary of Commerce

Secretary Wallace Calls Attention to the Agricultural Depression Following World War I and Contends That This Need Not Happen Following the Late War if Full Employment and Large Industrial Purchasing Power Can Be Maintained. Holds the Core of Independent Citizenship in the United States Is Still the Farming Population, Which Must Remain the Seedbed of Our Free Enterprise System, and Urges That Farmers as Well as Urban Voters Support Congressional Candidates That Favor President Truman's Full Employment and Other Legislative Measures. Calls Full Employment Bill an "Economic Charter."

It is always good to be back again with old friends in Triple-A. Every one of you knows how proud I am of my long association with an organization that has done so much to prove what democratic planning can accomplish in a free society.

Henry A. Wallace

When Triple-A began, there were scoffers who said it would not work—or that it would bring on regimentation. They said—these men of little faith in the democratic process—that you couldn't get a bunch of farmers to agree with each other, let alone work with Government; or that even if the farmers did agree, they wouldn't carry out their plans.

Well, you know the record. You men of Triple-A did have faith in the democratic process. We went ahead. You did get together and you stayed together—and you worked in harmony with and through your Government.

We as a nation must have more of this mutual confidence—more of this neighborly effort, like a barn-raising—if we are to solve the problems that impose on us today such an ominous postwar burden. This nation of free people today has little time for little-minded men of little faith.

Down through history, postwar problems have had a similarity as remarkable as the failure of peoples everywhere to profit from their past experiences. Back in early 1919 just after World War I, as some of you may recall, I wrote a piece in "Wallace's Farmer" about what happened to the price structure after the Napoleonic Wars and after the Civil War; I told the farmers that these things did not have to happen again—but that they would happen, inevi-

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*An address by Secretary Wallace before the Triple A Regional Meeting on 1946 Agricultural Conservation Program, St. Paul, Minn., Jan. 10, 1946.

Ernest Lienhard Rejoins Troster, Currie & Summers

Troster, Currie & Summers, 74 Trinity Place, New York City, announces that Ernest Lienhard has been released from the armed forces and has rejoined their trading department.

Jas. Jamieson Rejoins Glore, Forgan & Co.

CHICAGO, ILL. — James P. Jamieson is resuming his activities as manager of the Municipal Department of Glore, Forgan & Co., 135 South La Salle Street. Mr. Jamieson served as a major with the U. S. Army in the European Theatre.

Ronald Murphy Partner In Widmann & Company

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Ronald F. Murphy has been admitted to partnership with Albert C. Widmann in Widmann & Company, Carew Tower. Mr. Murphy has recently been in the armed forces; prior thereto he was associated with Mr. Widmann in the sales department.

SEC's Disclosure Theory Would Doom Small Dealers

(Continued from page 243)

business if all he can make gross on a transaction in bonds involving $10,000 is $25.00.

I am awaiting with eagerness the opportunity to contribute time or money to fight this matter to a standstill, win or lose. I am not going to give up my livelihood and my business willingly or without trying to do everything I can to retain my identity. I wish, too, to point out to the large firms that are not greatly affected by this decision that if they do not come in and help now, the next turn of the wheel will bring their turn up—who knows what will follow this latest raid? Their turn will surely come, for there is no end to the ambitions of self-appointed saviors of humanity. They would be wise to put all these forces into this thing now and not wait until the next atomic bomb thrown by the New Deal at our business lays waste their houses as this one threatens to destroy the little fellows.

The article the writer of the above letter refers to appeared in the Jan. 10 "Chronicle" and bore the caption, "A Self-Appointed Legislature," and therein the opinion was expressed that the SEC lacked the power to change trade custom by compelling dealers to do business on an agency or brokerage basis (thereby disclosing their profits on such transactions) if they did not own the securities themselves at the time the order was solicited from their customers.

The "Chronicle" would be interested in receiving comments from other dealers on the above theory which was espoused by the SEC in the so-called "Oxford case." They will be published anonymously if the writer states that he does not desire to have his name revealed. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

From the telephone calls and letters received by our Editor, it is obvious that both big and small dealers, and, as one dealer put it, from the "most angelic to the devilish," are entirely opposed to the philosophy in question.

Robt. Mason Is With Geo. E. Snyder & Co.

PHILADELPHIA, PA.—Robert J. Mason, recently returned from 3½ years with the Army Air Forces, is now associated with the trading department of Geo. E. Snyder & Co., Stock Exchange Building, members of the Philadelphia Stock Exchange.

Prior to his entry into Service with the Army Air Forces, Mr. Mason was with the Insurance Company of North America.

Public Utility Securities

International Telephone & Telegraph

International Telephone & Telegraph was organized in 1920 and has gradually acquired a dominant position in the telephone and cable business outside the United States, as well as an important role in the new electronics industry in this country. Organized under Morgan auspices, the stock participated in the market boom of holding company equities in the 1920's and advanced from 64 to the equivalent of nearly 450 in 1929, being split three-for-one in that year. It also joined in the general debacle of the holding company issues, dropping to 2⅝ in 1932 and to 1¼ in 1941. However, under the able management of Col. Sosthenes Behn, it has survived recurring troubles due to the sharp shrinkage in foreign currencies, the effects of the Spanish Revolution, and the devasting results of war in Europe and the Orient. In the past four years the stock has recovered to the present level around 30, where it has remained stabilized in a rather narrow range for some months.

International Tel. is a difficult company to analyze, and any forecast of earnings must involve the study of a large number of factors. The company has hundreds of subsidiaries and affiliates, many of which are systems in their own right, and the complete equities in these systems are not always revealed in International's reports. Earnings are obtained in many different currencies and dividends must frequently remain buried in subsidiary treasuries, due to exchange restrictions. In some years certain important subsidiaries have appeared in the consolidated figures, in other years they have been treated on a non-consolidated basis. Important properties such as the Rumanian and Spanish telephone systems have been sold; others have been non-operative due to the war; while on the other hand the Latin American companies have pushed steadily ahead, and Federal Telegraph has mushroomed during the war into an immense research and manufacturing business in New Jersey.

The company's annual report is quite informative; the 1944 report (page 30-31) gave a complete table of all investments in subsidiaries. This indicated that 69% of the system funds had been invested in telephone enterprises (46% in Latin America, and 23% in Spain—now disposed of); 20% in manufacturing (2% in the United States and 17% in Europe); 8% in cables, and 3% in New York City buildings. But these investment values have little relation to the earnings and dividends obtainable from the different properties. In some former years the income account was divided into separate statements for telephone, manufacturing and cable interests; but the 1944 report does not make such a clear cut division. The annual 10-K reports (on file with the New York Stock Exchange) are more illuminating, showing dividends received from, and the parent company's earnings equity in, the principal subsidiaries; even this could be improved, since some of the figures are given in foreign currencies and the net results are not readily tied in with the system income account.

However, the 10-K reports reveal the general trend in system affairs somewhat more accurately than do the annual reports, although of course the textual comment in the reports throws considerable light on system changes. In comparing the 10-K report for 1937 with that for 1944, it appears that profits on the Argentine business increased in round figures from $164,000 to $4,221,000. The Spanish investment, which in 1937 yielded profits of $2,116,000, showed earnings of around 23,000,000 pesetas in 1944, but of course these earnings are now greatly reduced by sale of the principal properties to the Spanish Government. The profits in International Standard Electric (sub-holding company for world-wide properties manufacturing telephone and related equipment) dropped from $3,253,000 in 1937 to $1,623,000 in 1944, due principally to the effects of the European war; and the earnings of the big German company, Standard Eleceric Gesellschaft, declined from $3,392,000 in 1937 to nothing in 1944. On the other hand, these manufacturing losses were more than made up by moving the Eu-

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Wm. K. Barclay Named Chairman of NASD

Wm. K. Barclay, Jr., resident partner in Philadelphia of Stein Bros. & Boyce, Baltimore, was elected chairman of the National

Wm. K. Barclay, Jr. Harry W. Beebe

Association of Securities Dealers, Inc., at the annual meeting at Hot Springs, Va. He succeeds Ralph E. Phillips of Dean Witter & Co., Los Angeles.

Harry W. Beebe of Harriman Ripley & Co., Inc., New York, was re-elected Vice Chairman of the Association; June S. Jones of Atkinson, Jones & Co., Portland, Ore., was elected Vice Chairman to succeed R. Winfield Ellis of Lee Higginson Corp., Chicago.

John J. Quail, of Quail & Co., Davenport, Iowa, was elected treasurer to succeed Mr. Barclay. Irving D. Fish, of Smith, Barney & Co., New York, was elected Chairman of the Finance Committee and Wallace H. Fulton was reelected Executive Director.

Taking office at the meeting Tuesday were the following new members of the Board of Governors: Herbert F. Boynton of H. F. Boynton & Co., Inc., New York, succeeding Henry G. Riter, 3rd, of Riter & Co.; Robert C. Kirchofer of Kirchofer & Arnold, Inc., Raleigh, succeeding James Parker Nolan of Folger, Nolan Inc., Washington, D. C.; L. R. Billett of Kebbon, McCormick & Co., Chicago, and Walter E. Kistner of A. C. Allyn & Co., Chicago, succeeding Ralph Chapman of Farwell, Chapman & Co., and R. Winfield Ellis of the Lee Higginson Corp., Chicago; Harlan Herrick of the Lathrop-Hawk-Herrick Co., Wichita, Kan., succeeding George K. Baum of Baum, Bernheimer Co., Kansas City; W. Rex Cromwell of Dallas Rupe & Son, Dallas, Tex., succeeding J. Wesley Hickman of Schneider, Bernet & Hickman, Dallas, and Joseph J. Ryons of the Pacific Company of California, succeeding Ralph E. Phillips.

Mr. Barclay announced appointment of the following members to the executive committee for the coming year:

Harry W. Beebe, of Harriman Ripley & Co., Inc., New York; June S. Jones, of Atkinson, Jones & Co., Portland, Ore.; John J. Quail, of Quail & Co., Davenport, Iowa; L. R. Billett, of Kebbon, McCormick & Co., Chicago; Robert S. Morris, of Robert S. Morris & Co., Hartford; John B. Shober, of Woolfolk, Huggins & Shober, New Orleans, and Wallace H. Fulton, executive director ex officio. Mr. Barclay is Chairman of the executive committee.

The finance committee of the National Association of Securities Dealers, Inc., for the coming year is as follows:

Irving D. Fish, of Smith, Barney & Co., New York, Chairman; Hermann F. Clarke, of Estabrook & Co., Boston; Mr. Barclay; J. Robert Shuman, of Shuman, Agnew & Co., San Francisco, and Mr. Fulton ex officio.

Wanted: Revival of Science of Government

By HAROLD E. STASSEN*
Captain, U. S. Naval Reserve
Ex-Governor of Minnesota

Prominent Republican Statesman Points Out That the Science of Government Has Not Progressed as Rapidly as Other Sciences and Urges That Lawyers Take the Initiative in Reviving the Study of Government. Holds Science of Government "Needs New Answers" and Illustrates by Referring to Political Difficulties in Effecting Slum Clearances. Points to the Current Scene of Industrial Strife as Further Evidence That "We Need New Answers" to Maintain Our System of Free Workmen, Private Capital and Individual Enterprise. Calls for Legal and Governmental Backgrounds That Will Develop Strong, Sound, Responsible Labor Unions, and at the Same Time Maintain High Productivity, Good Profits and Constructive Industrial Leadership. Says UNO Is Just First Step in International Organization.

I count it an honor to respond to your invitation to speak to the American Bar Association at this first postwar convention, your 68th annual session. I have a very pleasant recollection of the sessions of the annual conventions in 1941 and previous years, and it is good to be back. I commend you upon the outstanding program that the American Bar Association has carried on through these years of the war of assistance to the government and to the people, and in responding in the highest sense to the call of service of this country and of the world.

Harold E. Stassen

I speak to you tonight to present to the American Bar Association and, through you, to the lawyers of America, a specific request. It is this: I urge that in the years ahead you engage to an increasing degree in the search for new answers in the science of government of free men. There are many indications in both the world scene and the domestic picture that point to the conclusion that the science of government has lagged far behind the other sciences. Two world-wide wars and a world-wide depression, in a single generation, have been the tragic cost of the shortcomings of the science of government on the world level. Extreme industrial strife at the very time that production is most needed and the shortage of millions of houses are two of the most striking examples of the inadequacies of the machinery of government in the domestic field.

All of these results are related to the rapid progress which the other sciences have made by finding new answers. The remarkable development of mass production with its new machines and new methods, and its unbelievable productivity of so much of the necessities and comforts of life for millions of people have resulted in great, concentrated industries, with very large numbers of employees and congested living conditions. The new answers in travel, with the speed and range of the airplane and of the modern ship and the increased mobility of motor transport, coupled with the new answers in means of destruction, have caused wars to become truly world-wide. Then

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*An address by Captain Stassen before the American Bar Association, Cincinnati, Ohio, Dec. 19, 1945.

The Stabilization of the Franc

By EMILE PAULIN
Administrateur General of "France-Amerique"

French Journalist Reviews the Recent Devaluation of the Franc and Holds That the New Effort at Stabilization, When Reinforced by the Bretton Woods Agreements, Precludes for a Time Any New Changes in French Monetary Values. Contends That Although French Imports Will Exceed Exports for Some Time, the Restored Confidence of People in Their Money Will Maintain Its Stability and Will Furnish a Basis for Security of Investments in France.

A decree, under date of Dec. 27, 1945, has fixed the new exchange rates of the franc in relation to the dollar and the pound sterling at 119.10660 francs to the dollar and 480 francs to the pound. These rates will henceforth be applied in metropolitan France and in the following overseas French territories: Algeria, Tunisia, Morocco, the West Indies and Guiana.

The African colonies, i.e. French West Africa, French Equatorial Africa, Togo, the Camerouns, French Somaliland, Madagascar and Reunion as well as Saint-Pierre and Miquelon, will be able to exchange the franc quoted in their territories, at the following rates: 70.96 francs to the dollar and 282.35 francs to the pound sterling, which establish a parity of 170 metropolitan francs per 100 francs of these territories.

The French colonies in the Pacific, comprising New Caledonia, the Hebrides and settlements in Oceania will maintain unchanged the rate of their franc, that is to say 49.627 francs to the dollar and 209 francs to the pound. They will thus enjoy in relation to the new franc a parity of 240 metropolitan francs per 100 of their francs.

Such are the main provisions of the monetary reform expected since the Liberation and which ends the fierce controversy between advocates and opponents of devaluation. Not that there was between them a complete disagreement as regards the principle itself of the devaluation: what divided them was simply the question of timing and of choosing the best technique for a measure unfortunately rendered inevitable by the enemy occupation.

It is easy to see, from the abovementioned figures, that the surgeons have made a drastic amputation of the franc organism, already seriously weakened. The question now is: what are the prospects for the reestablishment of the financial soundness of France which, evidently, could not be envisaged without a parallel recovery of the whole national economy? Two questions come then to mind:

Will the devaluation protect France permanently from the necessity of other measures of this kind? Will it contribute efficaciously to a swift recovery of the national economy?

The risk of being contradicted by

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Commodity Outlook — Forecast for 1946—Bache & Co., 36 Wall Street, New York 5, N. Y.

Graphic Stocks—900 charts providing statistics on virtually every active stock listed on the New York Stock and Curb Exchanges; monthly highs and lows for the past ten years; earnings and dividends since 1936; capitalization of each company; volume of trading in certain important stocks —January issue, 160 pages, $10.00; Annual service (6 issues), $50.00 —F. W. Stephens, 15 William Street, New York 5, N. Y.

Investment Guide for January—Discussing the effects of consumer demand, increased incomes, cash reserves, tax reductions and the larger supply of money upon 1946 business and investments—12 companies analyzed as potential investments — First California Company, 300 Montgomery Street, San Francisco 20, Calif.

Lamborn's Sugar Calendar—Statistical data and other vital information on the sugar industry of the United States and the world—Lamborn & Co., Inc., 99 Wall Street, New York City.

Market Trends—A method of analyzing price movements which applies the theory of probability to price variances — descriptive booklet on request—Paul Dysart & Associates, Box 51-A, Cherokee Station, Louisville, Ky.

New York Bank Stocks—Comparison and analysis of 19 New York Bank Stocks as of Dec. 31, 1945—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

1945 Closing Canadian Bond Quotations — Pamphlet containing 350 quotations, available to banks, insurance companies and other institutions upon request—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Railway Equipment Stocks—Short resume on railroad equipment situation and a special report on **Magor Car Corporation**, manufacturer of freight cars, etc. —Blair F. Claybaugh & Co., 72 Wall Street, New York 5, N. Y.

Review of Business and Financial Conditions—Outlook for public utilities—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Selected Opportunities in the Heavy Industries—Study reviewing the outlook for five of the heavy industries and presenting comparative statistical data on 30 leading companies in this field—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Alleghany Corporation — Study —Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is a study of **Baltimore and Ohio.**

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2 Mich.

American Service Co.—Circular —Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

American Stove Co.—Study of interesting stock offering an investment in the coming building volume — Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Bowser, Inc. — special study—Goodbody & Co., 115 Broadway, New York City.

California Electric Power Company — Detailed analysis — Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Carrier Corporation—Memorandum on a growth situation—Stern & Co., 120 Broadway, New York 5, N. Y.

Consolidated Cement Corp Class A—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9 Mass.

Also available are circulars on **Oregon Portland Cement, Riverside Cement,** and **Spokane Portland Cement.**

Consolidated Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4. Ill.

Dayton Malleable Iron Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on **Great American Industries**: **Alabama Mills, Inc.; Douglas Shoe;** and **Purolator Products.**

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26. Mich.

Also available a report on **Sheller Manufacturing Corp.**

Farrell - Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

Franklin County Coal—Analysis of condition and post-war prospects—F. H. Koller & Co Inc., 111 Broadway, New York 6 N. Y.

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4 New York.

Also detailed circulars on **Fashion Park, Shatterproof Glass, Wellman Engineering Co.; Walt Disney Productions; Foundation Company;** and **Segal Lock & Hardware.**

Lehigh Valley Railroad—Circular — McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Bishop & Babcock, York Corrugating, American Insulator.**

Lipe Rollway Corporation—Circular—Herrick, Waddell & Co., 55 Liberty Street, New York 5, N. Y.

Mar-Tex Realization Corporation—Memorandum on an interesting low-priced oil speculation—B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

Merchants Distilling Corp.—recent analysis—Faroll & Co., 208 South La Salle Street, Chicago 4, Illinois.

Also available is an analysis of **Standard Silica Corp.**

Midland Realization and **Midland Utilities** — Memoranda — Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Midland Utilities — Memorandum — Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also available is a memorandum on **Reda Pump Co.**

Midland Utilities and **Midland Realization** — detailed study—write for circular M-3—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Missouri Pacific Bonds — Outlook—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

New England Lime Company—Descriptive circular — Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northern Engineering Works—Circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Panama Coca Cola—Circular on interesting possibilities — Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Parkersburg Rig and Reel Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of the **Reading Company** and a discussion of the **Liquid Resources of the Railroad Industry.**

Public National Bank & Trust Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Also for dealers only are analyses of **National Radiator Co.** and **Republic Pictures.**

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Sport Products, Inc.—Detailed circular — Hardy & Hardy, 11 Broadway, New York 4, N. Y.

U. S. Sugar—Circular — J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **Great American Industries.**

Victor Equipment Company—Special memorandum — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Oliver Goshia on NASD District Committee

TOLEDO, O. — Oliver Goshia, Goshia & Co., has been appointed a member of the National Association of Securities Dealers Ohio-Kentucky district committee to succeed Ford R. Weber, of Ford R. Weber & Co. Mr. Goshia, who has been in the securities business for 21 years, was a partner in Collin, Norton & Co. prior to forming his own company.


Oliver Goshia

He is a member of the executive council of the National Security Traders Association and is a past President of the Bond Club of Toledo.

C. M. Glass Is With Cruttenden in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Chester M. Glass, Jr., has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Glass has recently been serving in the U. S. Navy. Prior thereto he was with Bankamerica Company in San Francisco and was manager of the trading department for Wulff, Hansen & Co.

Lester Holt Now With Eastman, Dillon Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Lester H. Holt has become associated with Eastman, Dillon & Co., 135 South La Salle Street. Mr. Holt was formerly with Riter & Co., was Vice-President of Duryea & Co. and was with Brown, Bennett & Johnson. In the past he did business as an individual dealer in Chicago.

Charles Bartow With Wm. E. Pollock Co.

Charles Bartow has become associated with the U. S. Government bond house of Wm. E. Pollock & Co., 20 Pine Street, New York City. Mr. Bartow was formerly an officer of C. F. Childs & Co.

Irving B. Haass Has Rejoined David J. Greene

David J. Greene, 30 Broad Street, New York City, member of the New York Stock Exchange, announces that Irving B. Haass has been released from active service and is renewing his association with him as an analyst of securities of special interest.

Three Rejoin Staff of John Nuveen & Co.

CHICAGO, ILL. — Wilbur G. Inman and Thomas R. Hawkins, both Lieutenants in the Navy, and George A. McKeon, Captain in the Army, have been released from active duty and are again associated with John Nuveen & Co., 135 South La Salle Street.

Dempsey Incorporates

CHICAGO, ILL.—Dempsey and Company, 135 South La Salle Street, is now doing business as a corporation. Joseph E. Dempsey is President, Jack R. Dempsey Vice-President and Armand L. Primeau Treasurer.

Cincinnati Exchange Has New Type Membership

Announces a New Class of Membership Which Permits Full Trading Rights on Floor With Full Commissions, but Without Interest in Assets of Exchange.

On Jan. 11, it was announced that in the interest of the public, the Cincinnati Stock Exchange had created a new type membership So as to make available to all investors, through their respective brokers, the advantages of the age-old auction system of trading in securities traded on the Cincinnati Stock Exchange, the officials of the Exchange explained to a group of 21 Cincinnati brokers and dealers, who are not members of the Exchange, a new type of membership known as "limited memberships." In an effort to be of greater service to the public and in a spirit of cooperation and recognizing the fact that all qualified persons in the securities business are entitled to a profit on all business they originate, the Exchange has worked out a plan to make Exchange memberships available to all qualified applicants engaged in the securities business in the area of influence of the Cincinnati Stock Exchange. Months of study by Exchange officials and a survey of the attitude of non-member brokers and dealers has resulted in this new type of membership.

On the recommendation of the Board of Trustees, the members of the Exchange adopted new rules permitting, in addition to the present type of memberships now outstanding, the issuance of new limited memberships. The membership is in the form of a privilege to trade on the Exchange and will be sold for $1,000.00. Present memberships have a liquidating value of approximately $6,500.00. Limited memberships carry dues of $100.00 per year, and when assessment is necessary, may be assessed up to $100.00 a year before the now outstanding memberships can be assessed. Two of the five places on the Board of Trustees (the governing body of the Exchange) may be held by limited members and all limited members may vote when trustees are to be elected.

The assets of the Exchange will remain in the hands of the present membership, but in other respects, the limited member will be just as much a member of the Exchange as the present regular member. He will be permitted to trade on the Exchange, make full commissions, and will be governed by the same rules and regulations.

A new feature, adopted by the membership of the Exchange, gives the regular members the right to redeem their membership when going out of business, at 70% of the then liquidating value. This right is also given to the estate of a deceased member.

The limited membership will have a value only so long as the member remains in business and will not be redeemable or salable, but may be transferred from one member of a firm to another member of the same firm.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Robert W. Ganser** has become associated with **Bache & Co.**, 135 South La Salle Street. He was previously with H. Hentz & Co. and Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Frederick W. Channer** has rejoined **Channer Securities Company**, 39 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Claude B. Franz** has joined the staff of **Paul H. Davis & Co.**, 10 South La Salle Street. In the past he was with Merrill Lynch, Pierce, Fenner & Beane.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **James D. Rutter** has rejoined **Halsey, Stuart & Co., Inc.**, 10 South La Salle Street, after completing service with the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Lore W. Alford** and **Frank O. Elliott** have rejoined **Harris, Hall & Co.**, 111 West Monroe Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **George K. Soules** has rejoined **Link, Gorman & Co., Inc.**, 208 South La Salle Street, after serving with the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Richard J. Aldworth** has rejoined **Salomon Bros. & Hutzler**, 231 South La Salle Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Gordon L. Teach** has been added to the staff of **A. C. Allyn & Co., Inc.**, 100 West Monroe Street. He has recently been in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Richard Bryan** has become associated with **Ames, Emerich & Co., Inc.**, 105 South La Salle Street, in the sales department. He was previously with the First Securities Company of Chicago.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**William J. Noel** has rejoined **The Crummer Company**, First National Bank Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Andrew C. Stayart** has become affiliated with **Howard F. Detmer & Co.**, 105 South La Salle Street. He was formerly with G. J. Case & Co. and Ross, Thompson Securities Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Frank O. Elliott** has rejoined **Harris, Hall & Co.**, 111 W. Monroe Street, after serving in the U. S. Navy.

Dealers Citation of SEC Argued

(Continued from page 243)

under the Securities Act of 1934, the Commission might have chosen to do nothing with respect to them and they would have become effective within 30 days from the date a copy was filed with the Commission.

"However, once the Commission chose to institute a proceeding by its own order and have a hearing with respect to these by-laws, its duty was to enter an order at the termination of the hearing."

Mr. Louis Loss, arguing in behalf of the SEC, said that the Circuit Court of Appeals and not the District Court, had jurisdiction of this controversy.

Withdrawal Contemplated

When interviewed, the attorneys for the petitioning dealers said that even though the question is a novel one, they were considering withdrawing the present petition and proceeding directly to the Circuit Court of Appeals of the United States.

They believe the effects of this would be to get a more speedy final determination.

Issue Vital to Securities Industry

The question of whether or not the Commission has a duty to enter an order under the circumstances raised by the dealers' petition is one of large importance to the industry.

It is also contended by the petitioners, that under the terms of the Securities Act, an appeal from the determination of the SEC lies only when an order has been entered.

The whole subject of orderly regulation is involved, as well as that of rehearing before the Commission itself, and appeal to the Circuit Court.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

NSTA CORPORATE COMMITTEE:

The following two members have been appointed on the Corporate Committee by R. Victor Mosley, Stroud & Co., Inc., Philadelphia, Chairman, which will complete this Commitee:

James Jacques, Dallas Rupe & Son, Dallas, Texas, and Milton R. Underwood, Milton R. Underwood & Co., Houston, Texas.

Brown Shoe Preferred Offered by Goldman, Sachs

Goldman, Sachs & Co. and Lehman Brothers on Jan. 15 made a public offering of 40,000 shares of $3.60 Cumulative Preferred Stock of Brown Shoe Company, Inc. The public offering price was $102 per share.

The company will apply $3,000,000 of the net proceeds to the prepayment of its 2¼% term bank loan maturing on April 1, 1955, and the balance will, in the first instance, be added to its general funds. In view of the anticipated demand for its products the company intends to apply portions of its general funds to the opening of factories in the South, two of which are already under construction.

Upon completion of the present financing, and after prepayment of the term loan, the capitalization of the company will consist of the 40,000 shares of authorized and outstanding preferred stock and 1,000,000 authorized shares of common stock, of which 492,000 shares are outstanding. Stockholders recently authorized a split-up of each share of common stock, without par value, into two shares of the present common stock of the par value of $15 each.

Brown Shoe Co., Inc. makes and sells to retail distributors an extensive line of medium-priced women's, men's and children's shoes, both styled and staple Sales for the fiscal year ended Oct. 31, 1945 amounted to $56,458,000.

Rejoins Moore, Leonard

PITTSBURGH, PA. — Charles McK. Lynch, Jr., has been released from duty in the U. S. Navy and has resumed his duties as partner in Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchange.

Klehmet & Co. Opens New Branch in San Francisco

SAN FRANCISCO, CALIF.—Klehmet and Co. announce the opening of a branch office at 1 Montgomery Street under the management of Richard O. Tufts.

Grady Proprietorship

WOOSTER, OHIO—Roy L. Grady has retired from partnership in the investment business of Carl M. Grady, Peoples Federal Building, and the latter is continuing his business as an individual dealer.

Michigan Brevities

An issue of 73,450 shares of common stock, par value $2 per share of the Kuhlman Electric Co., was publicly offered on Dec. 21 last by White Noble & Co., of Grand Rapids, Mich., at $3.25 per share. Of the shares offered 22,300 were for the account of the company which will add its net share of the proceeds to its general working capital. The Kuhlman Electric Co., whose business office is located in Bay City, Mich., is engaged in the manufacture of electric power and distribution transformers and the manufacture and distribution of electric metal melting furnaces.

The company, after the absence of two years, paid a cash dividend of 5 cents per share Jan. 16, 1946.

* * *

The Michigan Seamless Tube Co., of South Lyon, Mich., reports that the net income for the 12 months ending Oct. 31, 1945 was $115,808, which represents earnings of $2.92 per common share, as compared with $2.84 per common share in the preceding year, states Joseph J. Snyder, Chairman. However, in 1945, $20,529 of net income, equal to 51 cents per share, was attributable to Federal tax refunds payable to the comany as a net result of accelerated amortization of emergency facilities and depreciation adjustments applicable to the operations of prior years. Sales were $3,107,259 but the increased proportion of sales of tubing carrying lower unit selling prices reduced gross profits. The provision for Federal taxes for the fiscal year was equal to 58% of taxable income. Working capital increased to $720,445 from $582,164 during the year. Cash on hand and in banks was $259,163 and the investment in Government securities was $255,752 on Oct. 31, 1945.

Mr. Snyder states that claims against others arising from terminated war contracts are being processed at a satisfactory rate in accordance with the procedures established by the Contact Settlement Act. The postwar refunds of excess profits taxes and United States excess profits tax refund bonds which became liquid assets, along with the Federal tax refunds referred to above, and earnings retained for general corporate purposes expanded the current resources of the company.

The bank credit agreement entered into in 1944, was terminated since no further need of this temporary arrangement was anticipated. No repayment of profits earned in 1944 to the Government was required by the renegotiation regulations under the War Profits Control Act and no repayment for 1945 is expected to be necessary.

Customers of Detroit Edison Co. will receive this year refunds of $16,450,000 on their 1944 and 1945 bills under terms of a decree signed Dec. 31 by Circuit Judge Archie D. McDonald. The decree was opposed by James H. Lee, Detroit Assistant Corporation Counsel, who argued that the refund should be at least $3,750,000 greater.

The Kaiser-Frazer Corp., seeking to double its working capital prior to expanding to the West Coast and to Canada, filed Jan. 4 with the Securities and Exchange Commission a registration statement for public offering of 1,800,000 additional shares of common stock.

Out of the anticipated $25,000,000 proceeds, the newest of the automobile manufacturers' plans to expand its Willow Run operations near Detroit, open a plant in the Los Angeles area, and launch a subsidiary in Canada.

The stock will probably be offered at market prices, currently with an over-the-counter quotation of $14.75 and $15.75. A 90¢ a share commission will go to the underwriters. Otis & Co., First California Co., and Allen & Co., which last September publicly offered the heavily over-subscribed issue of 1,700,000 shares at $10 each. The date of the latest offering will be announced later.

* * *

Expenditure of approximately $25,000,000 is anticipated by Bendix Aviation Corp. to purchase and modernize plants and facilities needed for its peacetime operations, Ernest R. Breech, President, announced recently in a letter to stockholders

Mr. Breech said contract cancellations and the problems and delays of reconversion had materially changed the corporation's profit picture. Directors in November reduced the dividend rate from 75 cents to 50 cents a share.

* * *

The Detroit Stock Exchange has announced authorization for listing of an additional 95,900 shares of the common stock of the Burry Biscuit Corp. making a total of 499,180 shares listed.

Of the amount, 79,848 are reserved for conversion of preferred shares.

Eugene Garner Named V.-P. of Detroit Bank

DETROIT, MICH.—Eugene T. Garner, lending officer with the out-of-town division, National

Eugene T. Garner

Bank of Detroit, who has been with the bank since its organization in 1933, has been promoted to Vice-President.

Charles Parcells & Co. Adds Four to Staff

DETROIT, MICH.—Charles A. Parcells and Co., 639 Penobscot Building, members of the Detroit Stock Exchange, have added Richard M. Patterson, Lloyd H. Ratz, Joseph H. Hatfield and Fred A. Braman to their staff.

A former Naval Lieutenant, Mr. Patterson was with General Motors Truck before entering the service; Mr. Ratz was formerly a banker.

Connecticut Brevities

During 1945, major Connecticut companies paid out in dividends an aggregate of $14,203,163—an increase of some $413,000 over 1944's disbursements. Hartford banks paid out $12,500 more than last year. The fire insurance group showed no change, while the life insurance group increased $640,000 due to extra payments made by Aetna Life Insurance, Connecticut General Insurance, and Travelers Insurance.

Resumption of the extra dividend by Hartford Steam Boiler, plus an increase in the regular payment of the Aetna Casualty & Surety Co. added $135,000 to the casualty group. In the public utility field, the net increase was some $263,000, which represented an increased dividend paid by the Connecticut Light & Power Co. and a special by the Hartford Electric Light Co.

In the industrial category, there was a decline in payments of approximately $637,000 due to reductions in disbursements to stockholders of Acme Wire, American Hardware, Fafnir Bearing, Hart & Cooley, North & Judd, Russell Manufacturing, Standard Screw common, and Union Manufacturing.

* * *

Municipal financing in the State of Connecticut during 1945 aggregated $2,610,000, which compared with $1,602,000 the preceding year, and with $21,035,000 in 1940—the largest total during any one of the last 10 years.

Of the eight issues sold, the largest was the $1,055,000 Stamford bonds due 1946 through 1965, bearing a 1% coupon; and the second list was the $750,000 issue of Norwalk 1% bonds due 1949 to 1973 inclusive. Interest rates ranged from a 1.10% coupon on $350,000 Norwalk bonds due 1946 to 1955, down to a .50% coupon for $75,000 Milford bonds due 1946 to 1950.

The end of the year found 31 Connecticut towns free of bonded debt.

* * *

The City of New Britain awarded $100,000 sewer fund bonds dated Jan. 1, 1946, due serially $10,000 a year Jan. 1, 1948 to 1957 inclusive, to Lee Higginson Corp., at 100.077 for an .80% interest rate. The next highest bid was 100.07 for an .80% coupon, submitted by White, Weld & Co.

* * *

Darien, Conn., recently sold $150,000 notes dated Jan. 9, 1946, due May 15, 1946, to the Home Bank & Trust Co. of Darien at .40% plus $1.50 premium.

* * *

With the termination of the Government receivership on Dec. 31, 1945, the affairs of the Hartford-Empire Co. are now under the management of its board of directors. The board now consists of six members, the President, F. Goodwin Smith, and five newly elected directors: James H. Brewster, Jr., Vice-President of the Aetna Life Insurance Co.; John B. Byrne, President of the Hartford-Connecticut Trust Co.; Roger M. Eldred, Vice-President and General Manager of the Hartford-Empire Co.; Lucius F. Robinson, Jr., senior partner of Robinson, Robinson & Cole, attorneys; and Thomas W. Russell of Allen, Russell & Allen, insurance.

The Northeastern Insurance Co., formerly Rossia Insurance, declared a dividend of 25 cents a share payable Feb. 1 to stock of record Jan. 15. This is the first dividend paid by the company since 1937.

* * *

Niles-Bement Pond Co. recently elected Richard W. Banfield Treasurer to succeed Everett L. Morgan.

Hugh MacArthur, President of the Connecticut Coke Co., has been elected a director of the New Haven Bank, NBA.

Joseph R. Proctor, a Vice-President of the First National Bank of Hartford, has been elected a member of the board of directors. Mr. Proctor is also Secretary and a director of the Northwestern Telegraph Co.

* * *

The New York, New Haven & Hartford Railroad reported net income of $1,366,412 after fixed charges but excluding rents under rejected leases, compared with net income of $473,372 for November a year ago.

Gross revenue for November, 1945, was $13,406,307—about 6.9% under that of November, 1944. Operating expenses of $9,768,120 were 3% less than those of November, 1944.

Gross revenue for the 11 months ended Nov. 30, 1945, totaled $159,467,114, which is approximately 4.7% less than the corresponding period a year ago. While passenger revenue increased $537,968, freight revenue declined $8,212,667. Operating expenses of $113,618,420 were $929,944 less than the same period in 1944. Net income for the first 11 months of 1945 was $11,106,554, after fixed charges but excluding rents under rejected leases. This compares with $12,415,519 for the like period in 1944.

Francis W. Cole, Chairman of the Board of Travelers Insurance Co., has been elected a director of the Chase National Bank of New York. Mr. Cole is a director of the United Aircraft Corp., the Hartford National Bank & Trust Co., Colt's Patent Fire Arms Manufacturing Co. and the Society for Savings in addition to his directorships in companies in the Travelers group.

Lyman Crane Rejoins Merrill Lynch Firm

DETROIT, MICH. — Lyman Crane, formerly a Lieutenant in the U. S. Navy, has returned to the firm of Merrill Lynch, Pierce, Fenner and Beane, Buhl Building, as a registered representative. Mr. Crane is a son of Howard Crane, prominent Detroit architect who has become one of Britain's top men, and has been with Merrill Lynch and the old E. A. Pierce firm for more than 10 years.

Real Estate Securities

A new situation has arisen in the real estate bond field that is important both to investors and dealers in securities.

Savings Banks, Insurance Companies and other institutions with large surplus funds to invest have decided that the complexion of real estate investments has improved to the extent that mortgages on real estate are now desirable to them.

The result has been that several real estate bond issues have been refunded with institution loans and that there are now pending some refunding programs of the same nature.

The effect on security dealers is obvious. Refunding means the call of securities with that much less merchandise for dealers to trade.

The effect on the security owner is a little more involved. For instance, we hear that consideration is being given to a possible refunding of the first mortgage bonds of 61 Broadway. Should this be correct, we would not be too enthused about such a procedure. The issue was reorganized the latter part of 1944 and the bonds were cut in half and the bondholders were given stock representing an equal share in approximately 98% of the ownership of the property. A refunding of this issue will only mean the payment of about 50% of the original cost of the bond because of reduction of principal in reorganization.

While it is true that besides this payment, the bondholder would still own the property, the writer does not feel he would be as well off with an institution loan ahead of his stock as he would be with the bond issue left intact.

The bond issue is on an income basis so that the company is not now faced with any fixed bond charges. In case of bad times the owners of the securities have no reason to at any time fear the possibility of any foreclosure. This would not be so with an institution loan.

In sinking fund operations the company has been retiring bonds at a discount of 20% inasmuch as they have been receiving tenders in the past at a price of 80. The discount at which they have been retiring bonds has permitted them to reduce the mortgage to a greater extent than they would be able to do with an institution loan which of course must be reduced at par.

* * *

From a leverage standpoint, we believe the bonds of the New York Majestic Corporation deserve investigation. Rent laws have curtailed the income of the property, a situation which we believe will not be a permanent situation. Intrinsically, the bonds appear reasonable. Bonds carry stock with them giving the bondholders an equal share in 100% of the ownership of the property. Bond issue is $7,576,000 subject to an institution loan of $2,137,000.

Current market price of the bonds (37%) places a value on the bond issue of $2,801,120; add to this the institution loan of $2,137,000, arriving at a value of only $4,938,120 for the property compared to the original bond issue of $9,400,000 which was offered as legal for trust funds in 1930. (Property was appraised in that year in excess of $14,000,000.)

Melady & Co., NYSE Members, Is Formed

Formation of the firm of Melady & Co., with membership in the New York Stock Exchange, has been announced. The general partners are Frederic C. Shipman, William J. Melady (board member) and Arthur V. Crofton, member of the New York Produce Exchange. John Melady is a limited partner.

Mr. Shipman served 11 years with the Securities and Exchange Commission, and was a senior member of the investigation staff of the Commission's New York Regional Office. He was the oldest employee in that office in point of service. Mr. Shipman began his career as an office boy with J. P. Morgan & Co. He organized and managed brokerage firms over a period of 10 years before joining the SEC.

John Melady is well known in the grain trade in the United States and Canada in the export and import divisions. William J. Melady has been a member of the Stock Exchange for 15 years and Mr. Crofton has held membership in the Produce Exchange for 26 years.

Formation of Melady & Co. was previously reported in the "Financial Chronicle" of Jan. 3.

Sees "Coasting" on Tax Refunds

Peter Guy Evans, Accountant and Attorney, Warns That Unless Congress Makes Changes in the Revenue Act of 1945, There Will Be Abuse in the Use of the "Carryback" and "Refund" Provisions of the Excess Profits Tax Law.

A warning that Congress, to prevent possible "coasting" this year by industrial corporations which are entitled to tax refunds, is studying special legislation which may amend that part of the Revenue Act by which the Government has permitted corporations to retain for 1946 the benefit of carry-back of unused excess profits credit, was sounded by Peter Guy Evans, C.P.A. and a member of the New York Bar, at Syracuse on Jan. 15. He spoke at a special taxation meeting of the Syracuse chapter of the New York State Society of Certified Public Accountants.

Peter Guy Evans

The subject of Mr. Evans' talk was "The Revenue Act of 1945," which sets income tax rates for the calendar year 1946.

Mr. Evans, who is a partner of Janis, Bruell & Evans, New York City, and vice-chairman of the Society's committee on Federal taxation, told the gathering of Syracuse tax consultants that Congress, when enacting the 1945 Revenue Act late last year, recognized that the excess-profits credit provision might be subject to abuse by industry, but decided to retain it for 1946 as a "shock-absorber" during reconversion. The speaker then added: "However, Congress is studying the problem, and the possible abuse which might arise under this provision, and may, in the very near future, recommend corrective legislation.

"It must be quite obvious," he added, "that any legislation which has for its purpose the elimination of prospective abuse of this corporate income tax provision will be made retroactive to the beginning of the taxable year 1946."

Mr. Evans particularly warned that if "tax coasting" occurs on a widespread scale in any branch of the basic American industries, such as coal, steel, food, clothing, chemicals and medicals, housing, transportation and distribution, "it could be seized as an opportunity to restrict free enterprise by those anxious to arouse public clamor for nationalizing key American industries in much the same manner as has been done, since V-E Day, in most European countries.

"One alternative," he added, "might be action by the United States Government, through Congress, to arrest such a socialization trend by deeming it expedient to assign such basic industries to the

(Continued on page 274)

Individuals Hold $181 Billion of Liquid Assets

This Represents a Three-Year Tripling, According to Wesley Lindow. Treasury Official Estimates Liquid Assets Held by Other Non-Bank Investors at $296 Billion. Holds That a Large Proportion of the Money Savings Were Genuine Long-Term Savings Not Constituting Inflationary Pressure, Even When Remaining Uninvested in Federal Securities.

Individuals at the year-end held the unprecedented total of $181 billion in liquid assets, according to Wesley Lindow, assistant director of research and statistics of the Treasury Department. Speaking before the Conference for Safeguarding Wartime Savings at Hotel Waldorf-Astoria in New York City, January 9, he pointed out that this figure is triple that of three years ago. He stated that this $181 billion may be divided into three approximately equal segments. The largest single segment—$64 billion—was in Federal securities, half of which consisted of Series E Savings Bonds. Various types of savings accounts amounted to $54 billion, and currency and checking accounts accounted for the remaining $63 billion.

Wesley Lindow

Dr. Lindow presented tables detailing the figures, as follows:

Estimated Ownership of Liquid Assets by Individuals Dec. 31, 1945
(in billions of dollars)

A—Federal Securities—	
Series E Savings Bonds	31
Other savings bonds	12
Other securities	21
Total	64
B—Savings Accounts—	
Commercial banks	29
Mutual savings banks	15
Postal Savings and savings and loan associations	10
Total	54
C—Currency and Checking Accounts—	
Currency	26
Checking accounts	37
Total	63
Grand Total	181

In addition to these record

(Continued on page 273)

Railroad Securities

One of the most important considerations in the improved speculative and investment attitude towards rail securities has been the much publicized reduction in debt and fixed charges in recent years. It has long been recognized that fundamentally, and purely from an operating standpoint, the railroad industry has had one of the best records, even in depression years, of any of our major industries. As a group the Class I carriers have never operated at a deficit—in the poorest depression year, 1938, income available for fixed charges after taxes topped $500 million. The heavy burden of fixed charges has been the nemesis of the industry.

The absolute necessity for reducing this burden of fixed charges was fully recognized by railroad management long before the war boom came along. Those roads in a position to do so were working aggressively to retire debt even before we emerged from the depression of the 1930s. As the war boom progressed debt retirement programs spread through practically all of the industry. Even a number of reorganization railroads utilized their excess earnings to retire senior claims or reduce claims for back interest. The poorer credits in the solvent group were helped by the opportunity to purchase large amounts of outstanding bonds at discounts without any tax penalties.

Last year we encountered another phase as improved credit, low interest rates and the huge amount of funds seeking investment made feasible the refunding of high coupon bonds of even some of the poorer situated roads. All in all, close to $1.5 billion of railroad bonds were refunded last year. While most of the refundings involved some reduction in the outstanding amount of the bonds the aggregate cut in debt in these transactions was under $75,000,000. The important factor was that the interest costs were reduced from $60,688,000 to $44,467,000. Also, virtually all of the new refunding issues provide sinking funds so that further progressive reduction in debt and charges is assured.

It seems likely that the major part of debt reduction (except through reorganization proceedings now pending) and refunding has been passed. Baltimore & Ohio is expected to undertake a comprehensive refunding of its senior liens and Illinois Central may announce a major program within a short time. Also, roads emerging from reorganization will presumably continue to refund their first mortgage bonds. These potentialities, however, could hardly reach the proportions witnessed last year when heavy excess profits taxes sharply reduced the net cost of meeting high redemption premiums. Moreover, it is obvious that present prices and thin markets will militate against continuation of aggressive bond purchase programs by most roads.

	Cut in Fixed Charges Since 1935	1937-1941 Average Coverage Present Fixed Charges Bef. Fed. Income Taxes
Great Northern	55.5%	3.07
New York, Chicago & St. Louis	53.1	3.35
Chicago & North Western	*50.0	4.16
Pere Marquette	45.2	2.29
Baltimore & Ohio	†43.3	1.88
Missouri-Kansas-Texas	43.2	1.05
Delaware & Hudson	42.5	2.21
Virginian	42.3	6.25
Reading	42.0	3.16
Louisville & Nashville	40.9	3.52
Atlantic Coast Line	40.8	2.53
Atchison, Topeka & Santa Fe	38.8	4.48
Kansas City Southern	35.9	2.18
Wabash	*35.5	3.31
Delaware, Lackawanna & Western	‡31.3	1.46
Texas & Pacific	31.2	2.26
Illinois Central	30.6	1.66
Southern Pacific	30.4	1.85
Northern Pacific	28.7	1.53
Chesapeake & Ohio	28.3	6.83
Chicago, Burlington & Quincy	27.9	2.35
Erie	*27.1	2.63
Southern Railway	26.9	2.00
New York Central	§20.2	§1.26
Pennsylvania	§19.7	2.22
Union Pacific	11.8	2.88
Lehigh Valley	7.9	1.04

*Since emerging from reorganization. †Largely through voluntary plan putting portion of interest on a contingent basis. ‡Largely through exchanging contingent interest bonds for some leased line stocks. §Eliminating inter-company items.

As is common in every phase of railroad operations and finances there was a wide variation in the extent to which individual roads were able to reduce their charges. Some such as Southern Railway were handicapped by the existence of large amounts of high coupon non-callable bonds. Others considered it more advisable to concentrate on building up impregnable finances. Still others were forced by circumstances to utilize their cash to retire obligations which could only be met at the full principal amount and thus could not take advantage of the opportunity to buy in discount bonds. There can be no generalization as some of the best credits are high on the list in the percentage cut in fixed charges and some are well down towards the bottom. Some of the poorest credits are also near the top and some close to the bottom of the list.

In the above tabulation we show the record of a number of the major roads in reducing charges from actual 1935 accruals to indicated annual fixed charges at the 1945 year-end. The roads are arranged in descending order of the percentage reduction. We also show average coverage of present indicated fixed charges on the basis of reported earnings available for charges before Federal income taxes for the five years 1937-1941.

The Outlook for Railroad Bonds

By W. WENDELL REUSS*

Mr. Reuss Presents Data Which Uphold His Contention (1) That Railroad Management Has Been Able to Operate With Such Increased Efficiency That They Have Been Enabled to Offset the Steady Rise in Wage Costs; (2) That the Railroad Industry in Postwar Will Handle a Volume of Business About the 1941-1942 Level; and (3) That Railroads Will Therefore Show Earnings More Than Adequate to Cover Taxes and Fixed Charges. Concludes That We Are Facing Continued Railroad Prosperity With Prospects for Further Increases in Rail Dividends.

There are three points that I wish to concentrate upon this evening—in this discussion of the Outlook for Railroad Bonds—and they may be tabulated in the following brief fashion:

W. Wendell Reuss

1. Railroad Management HAS been able to operate with such increased efficiency, that the steady rise in wage costs largely has been offset; HENCE, PROVING THAT TOO LOOSE THINKING BY THE PUBLIC, TO THE EFFECT THAT RAILROADS ARE "WAR-BRIDES," IS ENTIRELY ERRONEOUS;

2. The Railroad industry during the Postwar Period will handle a volume of business ranging between the 1941 and 1942 levels; and

3. The Railroads during the Postwar Period will show Fixed Charge coverage (before and after Federal Income tax deductions) in an amount estimated to be more than adequate.

Concerning the first statement, note the combined influence of lesser mileage and equipment operated and resultant fewer employees, in the face of substantially higher miles carried; note, how, despite the higher average annual wage, the total payroll has not expanded correspondingly; compensatingly, note the small fluctuation in the influence of wages out of operating expenses.

*An address delivered by Mr. Reuss at the Hotel Traylor, Allentown, Pa., Jan. 7, 1946. Mr. Reuss is a member of the Stock Exchange firm of McLaughlin, Baird & Reuss, New York City.

(Continued on page 276)

Neff Heads Philadelphia Securities Association

PHILADELPHIA, PA.—H. Clifton Neff of Schmidt, Poole & Co. was elected President of the Philadelphia Securities Association at the annual dinner meeting of the Association held Jan. 15 at the University Club. He succeeds William V. McKenzie of Paine, Webber, Jackson & Curtis, the 1945 President.

Other officers elected were: Vice-President, William B. Ingersoll, Stroud & Co.; Treasurer, Francis Goodhue, 3rd, Calvin Bullock; and Secretary, Harry C. Rippard, Buckley Brothers. For membership on the Board of Governors to serve three years: Harry C. Rippard, Francis Goodhue, 3rd, G. Ellwood Williams, Pennsylvania Company; and Theodore M. Hughes, Standard & Poor's Corp. For membership on the Board of Governors to serve for two years: Harold F. Carter, Hornblower & Weeks.

Rice Opens Fifth Office in Fla.; Second in Palm Beach

Daniel F. Rice and Company have opened an office in the Breakers Hotel in Palm Beach, the second office established in that resort this year by the firm, Joseph J. Rice, partner, announced. The other office is at 246 South County Road with Louis Woods, Jr., resident manager, in charge. The Breakers Hotel office will be supervised by Howard Barber, the firm's representative. Other Rice offices in Florida are in Miami, Miami Beach and Ft. Lauderdale.

Railroad Earnings and Rail Securities

By CHARLES SHIPMAN*

Transportation Editor of Standard & Poor's Corp.

Mr. Shipman Regards the Outlook for Railroad Stocks as Exceptionally Favorable, Expecting Class I Roads to Gross Approximately $7\frac{1}{4}$ Billion in 1946. Believes That There Is a Chance of Net Income Exceeding the War Year 1944, the Exact Showing Depending On the Amount of the Prospective Wage Boost, With Possible Offsets in the Form of Increased Freight Rates. He Holds That in Any Event the Earnings Will Be Satisfactory, and That Substantial Expansion Is Indicated for 1947.

The war has now been over for nearly five months and the bottom has not yet dropped out of the market for railroad securities. A railroad like Burlington is able to get better than par for $2\frac{7}{8}$'s maturing 25 years hence. Our index of speculative rail bonds with "B" ratings shows average yield of about 4.10%. Early in December the Dow-Jones rail stock average broke through its 1937 high. All this after the war.

Charles Shipman

It must be admitted that since V-J Day the performance of rail stocks has been pretty pale by comparison with industrials. That isn't surprising if we consider the pace that the rails had been setting since the middle of 1942. But what about the future? In our business the future is something we always have to talk about. No one needs to be told now that the credit of the railroads has been rehabilitated. The question is, will it stay rehabilitated? Under the circumstances, what about prices for railroad bonds and stocks?

We are all familiar with tables and charts showing how much cheaper railroad stocks are now than in 1941, on the basis of investment in property per share plus net working capital per share. Such charts and tables are interesting. They are illuminating and very much worthwhile. But they don't answer our question. It is decidedly comfortable to note that Southern Pacific has net working capital now of over $100 million, particularly if we happen to be a holder of Central Pacific bonds maturing in 1949. From the standpoint of the stockholder or bond-

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*Mr. Shipman's address before the Society of Security Analysts, Jan. 4, 1946.

Stone & Webster and White Weld Group Sell Tennessee Gas Com.

An underwriting group headed by Stone & Webster and Blodget Incorporated and White, Weld & Co. and including Blyth & Co., Inc., The First Boston Corporation, Kidder, Peabody & Co., Lehman Brothers, Mellon Securities Corporation, Union Securities Corporation, W. C. Langley & Co., Paine, Webber, Jackson & Curtis, Central Republic Company (Incorporated) and Bosworth, Chanute, Loughridge & Co. yesterday (Jan. 16) offered 812,000 shares of Tennessee Gas & Tranmission Co. common stock at $12 per share. The offering was reported to have been heavily oversubscribed.

The company, organized in 1940, constructed and is operating a 1,265-mile (mostly 24-inch) high pressure natural gas transmission pipe line extending from the Stratton-Agua Dulce field near Corpus Christi, Texas, into West Virginia, where deliveries of natural gas are made under long-term contracts to the company's two principal customers, United Fuel Gas Co. and Hope Natural Gas Co.

Proceeds from the sale of 238,000 shares of common stock will go to the company and will be applied toward the purchase of four additional compressor stations being built and now owned by the Reconstruction Finance Corporation upon the consummation of negotiations now in progress. The sale of the remaining 574,100 shares is for the account of certain stockholders of the company and represents a part of the holdings of such stockholders.

After giving effect to this financing the company's capitalization will consist of $49,525,000 of funded debt, 75,000 shares of 5% cumulative preferred stock and 1,750,000 shares of common stock. For the 12 months ended Nov. 30, 1945, the company's operating revenues amounted to $14,234,278 and net income, on a pro forma basis, was $2,954,980.

Is a Severe Break in Market Necessary?

By ROGER W. BABSON

Mr. Babson, Though Stating That Heretofore Bull Markets Have Culminated in Peaks, Holds That the Present Market, After Leveling Off, May Remain Stable for Some Time. Bases Belief on Easy Money Situation, Work of SEC in Preventing Undue Speculation and a Safe CIO Attitude.

Is another severe break in stock market prices necessary? Perhaps someday, but not just now. Need the market go up to a peak, as in 1929, and then come down with a crash? Certainly not. It is possible the "top" of the market could be a level plateau extending over months or perhaps years instead of a "peak."

Roger W. Babson

Reuther Not Too Bad

Heretofore bull markets have culminated in peaks. Due to this fact, my friends here in Wall Street think this must always be true. But, because of cheap money and the excellent work that the Securities and Exchange Commission is doing for small investors, my Wall Street friends may be mistaken. The top of the present bull market may consist of a leveling off process whereby stocks could continue to sell at their highs for some time.

Most of the business leaders are sore at Walter Reuther and the CIO crowd in his attempt to mix up wages with profits. I grant this is an entirely new departure. The typical capitalist doesn't like anything new—unless it changes the rules in his favor. But may not Reuther be a friend of the small investor by his prevention of abnormal profits and the sustaining of purchasing power?

Market Breaks Are Possible

This is not saying that a severe break in the stock market cannot come. It is very possible that the United States may get into a jam with Russia or some other country which could bring about World War III. Then there could be a collapse in city real estate and many industries, especially those in vulnerable cities near the sea coast. But wth this there should be a scramble for self-sustaining small farms away from the evil effects of atomic bombs. Why people do not give more thought to the future is beyond me. Surely, the only *truly* safe "life insurance" is good Mother Earth. I have some for each of my grandchildren.

Perhaps a more likely reason for a market break would be a fear of Communism or Socialism. When people in this country are finally convinced that Europe is going Socialistic and that the cloud is constantly moving westward, investors will begin to sell. Banks, railroads, utilities, coal and oil stocks, and the stocks of such other large industrials as are now being "nationalized" in England and Europe will be liquidated first. Then there would be no buyers for these stocks, prices could crumble quickly; and the entire market could severly decline.

Stabilization or Destruction?

But eliminating the above scares, it is very possible, with the present money situation, aided by the SEC and the CIO, that the stock market may be stabilized at a high level for a few years, as it stabilized at a low level from December, 1938 to December, 1942. Mind you, I am not guaranteeing anything excepting that conditions today are different from ever before. Either we are moving into a more stable world or else a large percentage of our present world is going to be wiped out. With atomic energy facing us, there can be no half-way ground.

But who created this atomic energy? We know that the answer is, "God created it"; in fact, it may even be a manifestation of God. If so, it has unlimited possibilities for good—for making a healthier, happier and more prosperous world. Hence, I believe that atomic energy may bring about the spiritual awakening which this old world so much needs. If so, this discovery alone will be well worth the entire cost of World War II—both in lives and property. Market breaks seem very small matters to me compared with these truly magnificent possibilities.

The Administration of Veterans' Housing Priorities

By JOHN B. BLANFORD, JR.

Administrator, National Housing Agency

Federal Housing Official Describes the Provisions of the Veterans' Housing Priorities and Expresses Confidence That if the Cities, States, Industry and Labor Cooperate With the Federal Government, the Purpose of the Priorities Will Not Only Be Accomplished but the Foundations Also Will Be Laid for an Era of Housing Development Worthy of the Resources and Aspirations of This Country.

I believe the system of priorities assistance for moderate-cost housing to which veterans of World War II will be given preference and which goes into effect Jan. 15 is a simple, workable plan to provide a speedy stimulus to private enterprise to get the largest possible volume of new home construction under way in critical 1946.

John B. Blandford, Jr.

I think it is a proper function of the Federal Government, in view of the housing emergency, to use its resources, in cooperation with industry, to channel the necessary scarce materials into the construction of houses for veterans at fair prices that will still produce reasonable profits for builders.

It is contemplated that under the system about half of the supply of critical building materials will be placed in the hands of builders willing to construct dwelling units costing $10,000 and less or renting at $80 a month and less with veterans being given the first opportunity to buy or rent such housing.

(Continued on page 276)

Mercier, McDowell Firm In New Quarters

DETROIT, MICH.—The staff of Mercier, McDowell & Dolphyn have just completed settling in their new enlarged and remodeled quarters at 1012 Buhl Building. The firm has been a member of the Detroit Stock Exchange since 1943.

New World War Being Planned in Argentina, Warns Adolpho Dorfman

Economist Charges Peron Government With Pursuing Variations On an Old Nazi Theme, and Vitally Threatening International Stability

Warning that plans for a new world war are being laid in Argentina through the joint efforts of Nazi, Fascist and Falangist groups both inside and outside the country, Dr. Adolfo Dorfman, industrial engineer and economist from Argentina, urged joint intervention as the only hope for eradicating the threat to world security.

Dr. Dorfman, now economic adviser to the Office of Inter-American Affairs. who spoke Thursday, Jan. 10, at the weekly "Round Tables on Latin America," held at the New School for Social Research, declared that "the new economic policy" put forward by the Peron government is merely a "variation on an old Nazi theme." It is a policy, he said, which relies upon the drawbacks, shortages and mistakes made by democracy and employing well-known Nazi techniques it seeks to capitalize on economic unrest and build up a strong military agressive power. None of the several groups in the population, Dr. Dorfman said, are actually behind the military Fascist Peron regime, but by demagogic methods, playing certain interests against one another and through false promises, the government is able to make an artificial show of strength. Under the disguise of so-called "anti-imperialism" the regime is trying to reach a degree of Nazi self-sufficiency, calling on the most reactionary forces in neighboring countries and throughout the continent. This policy which has the backing also of reactionary elements in big capital in leading countries including Great Britain and the United States is a direct threat to efforts being made by leading international agencies to build up economic stability. These groups apparently prefer good business rather than the real eradication of Nazism, he added.

"The war will not be over until the last germs of Nazism are definitely destroyed in every corner of the earth," Dr. Dorfman said in conclusion.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Fire insurance stocks, as measured by Standard & Poor's index, appreciated 16.1% between Dec. 30, 1944 and Dec. 31, 1945. This compares with a net appreciation of only 1.4% during the year 1944.

There was wide variation between individual stocks, however, in both years. Based on the record of 30 representative stocks, the 1945 range was between a high of 47.8% for Merchants and Manufacturers (a low priced stock), and a low of 1.6% for Springfield Fire & Marine. During 1944, the thirty stocks showed an average decline of 1.1%, compared with the Index gain of 1.4%. Fourteen stocks gained in price, two showed no change and fourteen showed declines. The performance of each of the thirty stocks for 1944 and 1945 is shown in the accompanying table.

CHANGE IN MARKET PRICES: 1944 AND 1945

	1944 Change Year	Asked Price 12-30-44	1945 Asked Price 12-31-45	Appreciation Year 1945
Aetna Insurance	— 5.9%	51½	58½	13.6%
Agricultural	+ 2.7	76	89½	17.8
American Insurance	+ 4.1	15⅞	20⅞	31.5
Baltimore American	— 4.9	7¼	7⅝	5.2
Bankers & Shippers	— 8.0	80	90	12.5
Boston Insurance	+ 12.1	628	790	25.8
City of New York	+ 3.2	20⅛	23½	16.8
Continental	n.c.	46½	56½	21.5
Fidelity-Phenix	+ 0.5	50¼	63½	26.4
Fire Association	+ 6.3	56⅝	69	21.9
Franklin	—16.2	24½	26¼	7.1
Glens Falls	+ 1.7	45½	54½	19.8
Great American	+ 7.1	30	35⅝	18.8
Hanover Fire	+ 1.9	27	32¼	19.4
Hartford Fire	+ 5.5	105¼	122½	16.4
Home Insurance	—12.8	28	31¾	13.4
Insurance Co. of North America	+ 10.5	89¾	*109⅜	21.9
Merchants & Manufacturers	—25.8	5¾	8½	47.8
National Fire	n.c.	58½	62	6.0
National Liberty	—10.6	7⅜	7⅝	3.4
New Brunswick	— 3.3	29¾	31	4.2
New Hampshire	— 1.2	46¼	52½	13.5
New York Fire	—11.6	13⅛	16⅝	26.7
North River	— 3.2	22⅞	25½	11.5
Phoenix	+ 1.4	89	97	9.0
Prov. Washington	— 4.8	34⅝	41	18.4
St. Paul F. & M.	+ 22.9	73¼	79	7.8
Security Insurance	— 4.1	34⅞	37	6.1
Springfield F. & M.	— 4.5	126	128	1.6
United States Fire	+ 3.5	51¼	60	17.1
Average of 30	— 1.1%			+ 16.1%

*Adjusted for rights.

It will be observed that the Home Fleet is represented in the tabulation by the following six stocks: Baltimore American, City of New York, Franklin, Home, National Liberty and New Brunswick. With the exception of City of New York, their performance has been definitely below average in each year.

The following 13 stocks did better than the average of the group in both 1944 and 1945: Agricultural, American Insurance, Boston Insurance, City of New York, Continental, Fidelity-Phenix, Fire Association, Glens Falls, Great American, Hanover, Hartford, Ins. of N. A. and U. S. Fire.

In addition to the Home Fleet stocks already cited, the following 6 stocks performed under the group average in both years: Aetna, Bankers & Shippers, New Hampshire, North River, Security and Springfield F. & M.

Merchants & Manufacturers appreciated far greater than any other stock in the group in 1945; on the other hand, it declined far more than any other stock in 1944.

National Fire and Phoenix performed better than average in 1944, but definitely below average in 1945. New York Fire and Providence Washington, contrariwise, performed below average in 1944, but well above average in 1945.

It is not easy to explain many of the market eccentricities recorded above. However, a number of stocks have, rather consistently, been above-average performers in recent years, such as Continental, Fidelity-Phenix, Hartford Fire, Insurance Co. of N. A. Generally speaking, the market tends to follow relative growth in stockholders' equity; in fact studies show that there has been a fair degree of correlation between market appreciation and increase in equity or liquidating value over investment periods of a few years duration. And since most investors in insurance stocks are "long term" holders, this is an important factor to take into consideration.

Paterson Elected Chairman Hibernia National Bank in New Orleans

Hecht Retires and Six Other Officers Are Moved Up

Following the annual meeting of shareholders Jan. 9, A. P. Imahorn, President of the Hibernia National Bank in New Orleans, announced the election of A. B. Paterson as a Director and Chairman of the Board. Mr. Paterson, who held the position of Chairman of the Executive Committee of the Hibernia National Bank, succeeds Rudolf S. Hecht who retired from the bank on the same date. Mr. Imahorn also announced that the Board of Directors had promoted J. M. Marrone from Assistant Vice President to Vice President; Andre C. Lapeyre from Assistant Trust Officer to Vice President; Maurice M. Bayon from Assistant Manager of the Foreign Trade Department to Assistant Vice President; T. J. Wallbillich from Assistant Manager of the Foreign Trade Department to Manager of that Department; George J. Ruhlman from Auditor to Assistant Vice President; and J. A. Bandi, Jr., to Assistant Cashier.

A. B. Paterson

Mr. Paterson, newly elected Chairman of the Board, is a prominent civic and industrial leader of Louisiana; he is President of the New Orleans Public Service, Inc., member of the Board of Liquidation of the City Debt; member of the Board of Administrators of Tulane University; member of the Board of Trustees of the Southern Research Institute; President of the Aviation Board of the City of New Orleans; member of the Audubon Park Board; Chairman, Southern Louisiana Section Committee for Economic Development; Director of the New Orleans Chapter of the Red Cross. He was the first President of the United Community and War Chest; the first President of the Louisiana State Board of Commerce and Industry; National Council Member of the Boy Scouts of America. He is one of the founders of International House and is a prominent advocate of a Tide Water Channel for New Orleans. He received the Times Picayune Loving Cup for the year 1944.

In commenting upon the promotions of the six junior officers, Mr. Imahorn said, "The Board was very happy to promote these officers to positions of greater responsibility from its own ranks. Four of them have been employed by the Bank since it was organized and all merit the advancement they have received."

Business Man's Bookshelf

Annual Survey of American Law, Vols. 1-4, 1942-1945 — New York University School of Law, Washington Square, New York 3, N. Y.—$5.00.

Commodity Outlook — J. S. Bache & Co., 36 Wall Street, New York 5, N. Y.

Market Trends—A method of analyzing price movements which applies the theory of probability to price variances — descriptive booklet on request—Paul Dysart & Associates, Box 51-A, Cherokee Station, Louisville, Ky.

United States Government Securities — Review of financing operations and price records—C. J. Devine & Co., Inc., 48 Wall Street, New York 5, N. Y.

Urban Mortgage Lending—New York University, Washington Square, New York 3, N. Y.

Graphic Stocks—900 charts providing statistics on virtually every active stock listed on the New York Stock and Curb Exchanges; monthly highs and lows for the past ten years; earnings and dividends since 1936; capitalization of each company; volume of trading in certain important stocks—January issue, 160 pages, $10.00; Annual service (6 issues), $50.00—F. W. Stephens, 15 William Street, New York 5, N. Y

Edgar O'Leary With Dresser and Escher

Edgar J. O'Leary has become associated with Dresser & Escher, 111 Broadway, New York City, as manager of their trading department. Mr. O'Leary was recently in the trading department of C. A. Alberts & Co. and prior thereto was a member of the New York Curb Exchange.

Gardner & McGovern At J. Arthur Warner

J. Arthur Warner & Co., 120 Broadway, New York City, announced that William H. Gardner has become associated with them in their institutional service department. William J. McGovern also has become associated with the firm in the New York trading department.

Gleisberg Resumes Duties

OMAHA, NEB. — Harold J. Gleisberg has returned to his duties as Vice-President of Greenway Company, Farnam Building, after serving in the army for several years.

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, New York, at the close of business on December 31, 1945, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS	
Loans and discounts (including $271.31 overdrafts)	$15,169,928.82
United States Government obligations, direct and guaranteed	16,917,064.53
Obligations of States and political subdivisions	2,834,262.07
Other bonds, notes, and debentures	140,601.60
Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	6,972,005.03
Banking premises owned, none; furniture and fixtures and vaults	1.00
Other assets	57,708.11
TOTAL ASSETS	$42,091,571.36
LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	$19,068,537.57
Time deposits of individuals, partnerships and corporations	4,703,868.70
Deposits of United States Government	9,216,793.95
Deposits of States and political subdivisions	4,781,549.27
Deposits of banking institutions	533,907.30
Other deposits (certified and officers' checks, etc.)	1,153,339.73
TOTAL DEPOSITS $39,457,996.52	
Other liabilities	222,637.29
TOTAL LIABILITIES (not including subordinated obligations shown below)	$39,680,633.81
CAPITAL ACCOUNT	
Capital†	$1,000,000.00
Surplus fund	750,000.00
Undivided profits	660,937.55
TOTAL CAPITAL ACCOUNT	$2,410,937.55
TOTAL LIABILITIES AND CAPITAL ACCOUNT	$42,091,571.36

†This institution's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA	
Pledged assets (and securities loaned) (book values):	
U. S. Government obligations, direct and guaranteed, pledged to secure deposits and other liabilities	$10,194,839.91
Other assets pledged to secure deposits and other liabilities (including notes and bills rediscounted and securities sold under repurchase agreement)	2,217,323.75
Assets pledged to qualify for exercise of fiduciary or corporate powers, and for purposes other than to secure liabilities	151,366.00
TOTAL	$12,563,529.66
Secured and preferred liabilities:	
Deposits secured by pledged assets pursuant to requirements of law	$12,356,943.90
Deposits preferred under provisions of law but not secured by pledge of assets	3,001,411.28
TOTAL	$15,358,355.18

I, WILLIAM D. PIKE, Comptroller of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

WILLIAM D. PIKE.

Correct—Attest:
C. W. KORELL
SUMNER FORD
JOSEPH B. V. TAMNEY
} Directors

Brig. Gen. Browning Appointed Director of Domestic Commerce

Secretary of Commerce Henry A. Wallace announced on Jan. 11 the appointment of Brig. Gen. Albert J. Browning as Director of the Office of Domestic Commerce.

Albert J. Browning

In this capacity, Gen. Browning will have responsibility for formulating the program and perfecting the organization by which the Department will discharge its responsibility for the promotion and support of the nation's domestic commerce and industry.

His appointment is in line with Mr. Wallace's recently-announced plan to group the operations of the Department under three principal headings—promotion of foreign trade, of domestic trade and of small business.

Gen. Browning, who is on terminal leave from the Army after serving as Assistant Director of Materiel in the Army Service Forces, is accepting the appointment on a temporary basis, in the expectation that he will return to private industry after three or four months.

He will have under him the commodities and manufactured products sections of the Bureau of Foreign and Domestic Commerce, together with the sections responsible for wholesale and retail distribution, transportation, building construction, and the service industries.

A resident of Chicago and a graduate of Massachusetts Institute of Technology, Gen Browning won the Distinguished Service Medal for his work as Assistant Director of Materiel and, previously, Director of Purchases, in the War Department. In these capacities he was principally responsible for setting up and administering the Army's Purchasing Program, and for the formulation of policies for War Department procurement agencies.

Before he entered the Army, Gen. Browning served successively as Assistant Coordinator of Purchases in the National Defense Advisory Commission; as Deputy Director of Purchases, in the Office of Production Management, and as special advisor to Donald M. Nelson in the Supply, Priorities and Allocations Board.

From 1938 to 1942 he was president of United Wall Paper Factories, Inc., of Chicago. Previously, he had been merchandising manager for Montgomery Ward and Company.

Glenn Richardson Opens

(Special to THE FINANCIAL CHRONICLE)

GALION, OHIO—Glenn Richardson is engaging in the investment business from offices at 134 South Market Street.

The Stabilization Of the Franc

(Continued from page249)

future events in answering affirmatively the first question is small. In reality, this devaluation is taking place simultaneously with the application of the Bretton Woods conventions, the aim of which was to prepare the currency stabilization of the post-war world. Apart from this fact, the simultaneous granting by America to Great Britain of a $4 billion loan indicates the probability of other loans of the same order in favor of other allied nations, undoubtedly including France.

An important loan to France, and consideration of the fact that during the coming years the country cannot escape from the rigid ruling of a controlled economy, should create an adequate basis for the revival of general confidence in the monetary unit.

It can, therefore, be asserted that the present stabilization, reinforced by the Bretton Woods agreement, precludes for at least a given time other monetary measures and, if not so, the scope of fundamental change is definitely limited.

The second question does not permit such an absolute answer. Firstly, let us mention the fact that for a long time to come French imports will exceed exports and that, consequently, the national interest would have been to maintain as long as possible a rate as advantageous as 50 francs to the dollar. On this point, the opponents of the devaluation were certainly right, and the more so since expectations for a considerable increase in exports, owing to the devaluation, seem grossly exaggerated. The merchandise to be exported is and will for some time remain only too scarce. As for the tourist traffic, this source of foreign exchange is not likely to exercise very much influence for the next two years.

On the other hand, it is too much to expect that the devaluation will immediately do much to correct the enormous disparity between foreign and domestic prices in view of the scarcity of raw materials and manufactured goods—which is the basis of the black market. Financial reforms, however far-reaching, cannot alone rebuild the French economy after four years of German plundering. If, therefore, as it is to be hoped, the devaluation will be followed by only a moderate price-increase, this would be quite a reassuring symptom.

However, there is an aspect of the monetary reform on which both advocates and opponents of the devaluation will agree, that is the psychological effect.

This stabilization, officially sanctioned by French-Anglo-American agreements, should not fail to bring about a radical change both inside and outside the country with regard to the security of future investments in France: consequently, it is likely that in the near future we shall witness a spontaneous reversal of the flight of capital from France and also investment of new capital. There is little doubt that capital from the American continent will be able once more to take advantage of the opportunities offered in the French metropolitan and colonial markets.

As far as the French are concerned, the definitive stability of the franc will give them the confidence without which it would be impossible to rebuild their country, and will provide them also with stimulus necessary to the spirit of initiative—so characteristic of French genius—to give birth to new ideas while still concerned with reconstruction and renovation.

Frost, Baxter Rejoin Hayden, Miller & Co.

CLEVELAND, OHIO—Hayden, Miller & Co., Union Commerce Buildnng, announced that Harrison C. Frost, Jr. and Dana F. Baxter have rejoined the company after absences for war service.

Mr. Frost, who was associated with Hayden, Miller & Co. from 1928 to 1941, served as major with the Ninth Air Force. He was a liaison officer in the European theatre, being stationed in England, France, Belgium, Luxembourg, and Germany.

Mr. Baxter orginally joined Hayden, Miller & Co. in 1930 after graduating from Miami University. In February, 1942, he enlisted in the naval reserve as apprentice seaman, subsequently becoming a lieutenant commander. He was assigned to ship and shore duty off Iceland and later was aboard salvage and rescue vessels in the Southwest Pacific area.

Tessler Returns to Bache

Bache & Co., 36 Wall Street, New York City, members New York Stock Exchange, announce that Sydney A. Tessler has returned to the firm from duty in the European Theatre with the Finance Department of the Army. Mr. Tessler has been associated with the firm for 20 years and has resumed his activities in the New York Commodity Department.

Mutual Funds

Threatened Tie-Up

The spreading wave of strikes throughout industry had little effect on the investment business until the partial shut-down of wire and telephone service last week. A complete tie-up of these communication services on a nation-wide basis would pose many difficulties for the investment business, particularly for mutual funds.

Orders would have to be confirmed by mail and, to assure fair treatment of present shareholders, prices would necessarily have to be subject to confirmation at the time the orders were received. Last week a number of investment company sponsors sent special mailings to affiliated dealers pointing out these difficulties and setting up procedures for the handling of business by mail in the event that the threatened tie-up should materialize.

New York Stocks, Inc.

Quite a transformation has been taking place in annual reports during recent years. In most instances the job has been more than just a face-lifting operation with pictures, charts and color added. We are frankly partial to this new trend although in the industrial field we have noted some reports actually over-done to the point of garishness. We still believe that a measure of dignity commensurate with the importance of the company and its business should be maintained.

This combination of attractive, dignified appearance with a clear, simplified presentation of the facts is nicely achieved in the annual report of **New York Stocks, Inc.** for the year ended Nov. 30, 1945. Not only does this report give shareholders an unusual volume of pertinent information on each of the company's 23 Series of Special Stock, but it discusses frankly and without reservation the investment limitations as well as the possibilities of each.

The report signed by Hugh W. Long, President, shows that net assets of the corporation nearly tripled during the fiscal year, rising to $25,621,364 compared with $8,619,811 a year earlier. The number of its shareholders nearly doubled.

Shares of the corporation's 20 Industry Series, the report says, "offer the investor a flexibility and control over his investment program which are not present in a broadly diversified fund; at the same time, their use assumes that the investor will maintain a degree of continuous direction of his investment program which is not required in a broadly diversified fund."

3,430 Securities

"There are approximately 3,430 individual issues of bonds and stocks listed on the New York Stock Exchange and New York Curb," writes **Keystone Co.** in the current issue of keynotes. These issues are made up as follows:

1,295 Bonds
631 Preferred Stocks
1,504 Common Stocks

"The choice available to the investor is obviously a wide one. Which are the best selections for his investment account? . . .

"The majority of investors have neither the time, the experience nor the available sources of information to investigate the thousands of securities in the listed and unlisted markets, to select the issues best suited to their investment needs, and then to maintain constant vigilance on the performance of each issue in their investment lists.

"One solution of this problem is to employ a research organization to perform these services for them. For the investor of moderate means this can be done economically by pooling his capital with other investors in professionally supervised trust funds."

"1946"

Lord, Abbett gives a new and attractive slant to the business of year-end forecasting by publishing their conclusions together with a statement of their investment policy in booklet form under the title "1946 and the Lord, Abbett Group of Investment Companies." "The outlook for 1946," writes this sponsor, "cannot be set down light-heartedly nor with unbridled optimism. Peacetime prosperity is generally anticipated, but the events of the moment having to do with prices, wages, production and international relationships are ample indication that seldom, if ever, is anything either all black or all white.

". . . Stocks may no longer be bought at the low levels which prevailed during the war years. Is a serious decline, such as followed these two other periods, (1929 and 1937), to be presently anticipated as the normal sequence of events?

"After giving weight to these negative factors, we nevertheless come to the considered opinion that security prices will be higher in 1946. We believe that historically, as well as on economic and financial grounds, there is more reason for confidence than for concern."

* * *

In a current Investment Bulletin on **Affiliated Fund, Lord, Abbett** compares the 1945 market performance of this Fund with each of the 30 individual stocks in the Dow-Jones Industrial Average. During the year Affiliated Fund appreciated 62.2%—almost 2½ times as much as the Average. Only one of the 30 individual stocks, National Distillers, with an appreciation of 100%, did better.

Results

"In 1945 over 600 dealers sold $51,655,696.56 of **Group Securities, Inc.** and received compensation therefor of over $3,000,000." Thus writes **Distributors Group** in a special mailing to NASD members. The mailing included a descriptive folder entitled "What Mutual Funds Mean to You as an Investment Salesman."

Other mailings to come to hand from Distributors Group during the past week included a folder on **Merchandising Shares** of **Group Securities** with an estimate by this sponsor that "retail sales this year will reach an all-time record level of around $76 billion—6% above last year's record volume and 81% above the 1937 level."

The current monthly Investment Report on Group Securities states: "The general outlook is for higher prices for everything, including most common stocks. The prices even of those many stocks which are already high in relation to their intrinsic values will probably go substantially higher. Purchase of such stocks is, of course, pure speculation. The investor should confine his purchases to those stocks which offer good value per dollar of market price, based on their present and carefully estimated future earning power.

"Good value, on such a basis, is available in selected stocks in such major industries as the railroads, the railroad equipments and the steels. Individual instances can be found in other industries, such as those stocks comprised in the holdings of **Low Priced Shares** and **Fully Administered Shares.**"

Year-end Funds

"Invest those year-end funds in **Commonwealth,**" writes **North American Securities Co.** in a current memorandum on this Fund. Five reasons are listed for investing in Commonwealth:

1. Flexibility in buying.
2. Ease of making later additions.
3. Maintenance or improvement of diversification.
4. No dissipation of capital.
5. Basis for future investment.

Best Year

1945 has been the best year for many mutual funds and **Selected American Shares** is no exception. In a memorandum entitled "Best Year" **Selected Investments Co.,** the sponsor, recites some of the high points in this Fund's 1945 record:

1. The greatest percentage rise in asset value for any calendar year in the company's history.

2. The greatest margin of improvement over the performance of the Dow-Jones Industrials than in any other calendar year in the company's history.

3. The largest rise in the company's total net assets for any calendar year in the company's history.

At the end of 1945 Selected's net assets were more than $15,600,000 as compared with the highest previous year-end total of $11,500,000 at the end of 1936.

Notice to Dealers

National Securities & Research Corp. announces the installation of three direct wires to its order desk. They are Barclay 7-1346-7-8.

Mutual Fund Literature

National Securities & Research Corp.—Current issue of Investment Timing in which the Impracticability of 'Ability to Pay' As a Criterion for Wages" is discussed by L. Scudder Mott of the Economics and Investment Department. . . . **Hare's Ltd.**—A new folder entitled "Insurance Stocks in a Period of Inflation"; also the current issue of the weekly memorandum "Current Considerations." . . . **Lord, Abbett**—Current issue of Abstracts giving portfolio changes in Lord, Abbett funds during the final quarter of 1945. . . . **Selected Investments Co.**—Portfolio memorandum on **Selected American Shares** as of Dec. 31, 1945; current issues of "Selections" and "These Things Seemed Important." . . . **Distributors Group**—Current portfolio folders on **Low Priced Shares, General Bond Shares** and **Railroad Bond Shares:** current monthly price record.

Dividends

Republic Investors Fund, Inc.—A regular dividend of 5¢ per share, plus an extra dividend of 5¢ per share payable on the common stock Jan. 31, 1946 to stock of record Jan. 18.

Institutional Securities, Ltd.—A quarterly dividend of 20¢ per share payable Feb. 28, 1946 to **Stock and Bond Group** shareholders of record Jan. 31.

Geo. W. Beaver With Schoellkopf in N. Y.

Schoellkopf, Hutton & Pomeroy, Inc., announce that George W. Beaver has become associated with them at the New York office 63 Wall Street, in charge of the firm's municipal bond department. For the last 12 years Mr Beaver has been manager of the municipal bond department of F. S. Moseley & Co., and prior to that served in a similar capacity with The N. W. Harris Co. and Kountze Bros.

Our Reporter's Report

The new issue market afforded the potential investor only meager outlet for his funds this week what with only four issues reaching the actual offering stage, and these all equities.

Tennessee Gas & Electric Corp.'s block of 812,100 shares of common stock ($5 par value) was offered yesterday at $12 a share and was snapped up quickly. In fact the stock commanded a substantial premium and subscriptions necessitated considerable scaling down.

Dealers described the demand as "akin to the mad rush of women for nylons whenever they are offered."

Meanwhile Potomac Edison Co.'s offering of 63,784 shares of new preferred, sold to bankers at a price of 100.159 for a 3.60% dividend rate, was due to be offered subject to prior subscription by holders of its 7 and 6% preferred issues, at 101¾.

A block of 40,000 shares of 3½% cumulative preferred of Victor Chemical Works was placed on the market at $100 and met a brisk reception.

The fourth offering involved 40,000 shares of $3.60 cumulative preferred stock of Brown Shoe Co., Inc., priced at $102 a share for which quick oversubscription was reported.

The week's only bond issue, Seattle Gas Co.'s $4,800,000 of 3⅝s, was expected to find a ready market with no little of the loan believed destined for areas outside the East Coast.

More Stocks Ahead

For the near-term future the roster shows the bulk of offerings will consist of stock emissions with prior "rights" going to present holders of the corporations involved in most instances.

Columbia Pictures Corp.'s 75,000 shares of cumulative preferred, with nondetachable warrants to purchase new common stock, should reach market some time next week.

The same holds true of the 149,883 shares of cumulative preferred projected by Philip Morris & Co., Ltd., Inc. Common stockholders are entitled to subscribe for the new issue in the ratio of 1½ new preferred shares for each 20 common shares now held.

At approximately the same time Carrier Corp.'s 120,000 shares of new 4% series cumulative preferred or at least any unsubscribed portion of the new issue, should become available, since subscription rights expire next Tuesday.

Still Up in the Air

Municipal bond men found little reason for worry in the ruling of the U. S. Supreme Court this week holding that the federal government has the constitutional right to levy an excise tax on mineral water made by the Saratoga Springs Commission, which is an instrumentality of the State of New York.

It was noted that the decision scrupulously avoided the oft-raised question regarding the right of federal authorities to impose a tax on income from state, or municipal securities.

The Court appeared determined to sidestep anything that might be subject to interpretation on the latter score and again left that matter on the doorstep of Congress for settlement.

Bell Telephone of Canada

There were inklings around the investment fraternity indicating that the Bell Telephone Co. of Canada might be inclined to come into the money market in the near future with a view to obtaining new capital, or perhaps refinancing certain of its debts.

The company has outstanding a total of $37,500,000 in first mortgage 5% bonds of series B and C, due in 1957 and 1960, which undoubtedly it could replace on a lower cost basis, since its series D bonds, outstanding in the amount of $25,000,000 carry only a 3¼% coupon.

Reports probably were based in part on the belief that the company would finance, through new securities, at least part of the $28,200,000 expenditure for improvements and extensions which has been budgeted for this year.

However, those who sought to run down the reports were finally convinced that there is nothing immediate in prospect so far as financing by this company is concerned.

Einhorn & Co. Inc.

CINCINNATI, OHIO — Einhorn & Co., Dixie Terminal Building, formerly a partnership, is now doing business as a corporation, with William Einhorn as President, Treasurer, and Director; Jeannette Einhorn, Vice-President, Secretary, and Director; and Stanley C. Eisenberg, Director.

Canadian Securities

By BRUCE WILLIAMS

In the current Dominion-provincial conference Americans are being given a preview of what this country must some day face if our current muddled tax situation is ever to be clarified. Canada has come to grips with this problem, with the Dominion Government proposing that the power to levy taxes be centered in Ottawa and allocation of the proceeds to be made from that central point to the provinces.

There is no question but that this plan would greatly simplify the levying and collection of taxes. It would also increase the power of the central Government. To this, Ontario has replied with the Drew Plan which restores full taxing powers to the individual provinces.

Canadian business men are largely in favor of the Dominion plan. They see an endless maze of complications in the Ontario counter-proposals involving as they do the provincial break-up of sales of individual companies in order to allocate the tax funds fairly among the various provinces.

"There is only one tax payer, no matter how governments carve up the proceeds," comments the "Financial Post" of Canada editorially in analyzing this controversy. That, in our opinion, is true as far as it goes. But all past history shows that the tax payer who deals with local authorities is beter off in the long run than the tax payer who is subject to an increasingly powerful central Government.

By this we do not mean to take sides in the Canadian discussion. We admire their courage in going after an open, forthright solution of the problem. However, Canadian business men who are thinking of a solution strictly in terms of immediate costs should be reminded that democratic government is expensive and somewhat unwieldly—but never as expensive in the long run to the individual and his liberties as the other kinds.

* * *

Latest reports show Canada's construction industry making rapid strides. Construction contracts awarded in November were up 138.1% over the same month a year earlier with the biggest gain, 408.3%, in engineering construction awards. The residential category was up 98.5% and industrial construction with the smallest gain showed an increase of 70.8%.

* * *

Last week the market for Canadian securities was strong in all divisions. The increasing favor with which institutional investors in this country look upon Canadian Nationals continues to meet with a limited supply situation which is gradually forcing these issues more into line with our own Government bonds of a comparable maturity.

There is still, however, a sizable spread in favor of the Canadian externals, with yields of over 2% available on the 10-year bonds as compared with a yield of around 1.40% on comparable domestic issues.

As previously pointed out in this column, we believe that the longer term Canadian Nationals will eventually be reduced from a 3% to a 2¾% yield basis and that continued strength across the board is to be anticipated.

The "Full" Employment Bills

(Continued from page 247)

a sizable section on "Policy of the United States" which also is largely preamble material in nature, but it at least escapes most of the absurdities found in the preamble of purposes in H. R. 2202.

The major defects of H. R. 2202 were not in the announced purposes but in the mechanism designed to provide so-called "full" employment. This mechanism involved complex questions regarding statistical measurements and intricate causal relationships in the economic world which the general public is not in a position to weigh. Many, if not most, of the basic assumptions made in this aspect of that bill have been attacked vigorously by some of our most experienced and reputable non-socialist economists who have challenged both their accuracy and their practicability.

One of these features which has been sharply criticized by competent authorities, and which, fortunately, was not incorporated in the bill now in the conference committee, is the provision for a "National Production and Employment Budget," commonly called a "National Budget"—a budget that far exceeds in complexity of concept our large and complicated Federal Budget. The proposed "National Budget" was to include the estimated size of the labor force and the estimated aggregate volume of investment and expenditures by private enterprises, consumers, and state, local, and Federal governments supposedly *required* to produce the gross national produce deemed necessary, at expected prices, to provide full employment opportunities. It was also to contain estimates of the *contemplated* investment and expenditures of those groups, *apart from* the National Budget program, including such foreign investments and expenditures for exports and imports as affect the volume of the gross national product.

The President was required to transmit such a budget, applicable to the ensuing fiscal year or such longer period as he might deem appropriate, to Congress at the beginning of each regular session. If the estimated volume of prospective investment and expenditure for any fiscal year or longer was less than the estimated volume supposedly required to assure "full" employment, the "National Budget" was to provide for correction of the deficiency. The President was to set forth ways of encouraging non-Federal investment and expenditure to increase employment and, to the extent that these were thought likely to prove insufficient, he was to provide a program of Federal investment and expenditure. His recommendations were to favor the utilization of private enterprise "except where the performance of such work by some other method is necessary by special circumstances or is authorized by other provisions of law."

If, conversely, the estimated aggregate volume of investment and expenditure was more than was supposed to be required to assure "full" employment, the President was required to present a program designed to contract this volume.

He was also authorized to submit supplemental or revised estimates, or programs, or legislative recommendations to Congress "from time to time," and the rate of Federal investment and expenditure could be varied to whatever extent and in whatever manner he might determine to be necessary for the purpose of assisting in assuring "continuing full employment."

This "National Budget" was to be prepared in the Office of the President in consultation with the members of his Cabinet and other heads of departments and establishments. In addition, there was to be a Joint Committee on the National Budget composed of fifteen members of the Senate and fifteen members of the House who were supposed to study the Budget and to report to Congress by March 1 of each year.

Serious questions arise concerning the concept of the "National Budget." Its reliability and value, quite apart from matters of purpose and practicability of administration, rest upon other concepts such as those of gross national product, the aggregate volume of investment and expenditure, regular and full-time employment, and so on, regarding which our statistical data are inadequate and of a questionable character. Most of these concepts are matters of dispute among economists both as to definition and as to the possibility of accurate measurement.

The literature on these matters is voluminous and highly technical. It is not read nor understood by the layman; nor was it understood, apparently, by the sponsors of the bill.

The fact of the matter is that we do not have anything like accurate data on any of the items which were to comprise this "National Budget." What we have are crude statistical samples of one sort or another, and these should be handled with great care and circumspection—much more than they generally receive. For example, to define such an apparently simple thing as national "savings" is far from easy or simple, even for economists who are specialists in this field. To measure it with any accuracy seems impossible.

Two other important factors in the proposed "National Budget" are national income and gross national product. If we could accept these concepts as scientifically sound—which we cannot—, the fact that they are expressed in dollars should reveal one respect in which they can be misleading. For example, an increase in national income and product may have no relation to national well-being. Their relationship is to spending, not necessarily to a healthy production; and a nation can spend any amount if its government is so disposed. National well-being may decline rapidly as national income or product in monetary terms increases. This situation appeared in this country during the late war, since our expenditures for products to be destroyed and for outright waste showed up as part of the national income and product. The national income and product concepts in H. R. 2202 contained these misleading characteristics among others.

Perhaps it would be helpful to take a much simpler example of some of the difficulties and dangers involved in that bill because of the vagueness and untenable nature of some of the concepts found in it: What, for instance, is "regular" and "full-time" employment—how many days per week must one work, how many hours per day, how many adult members of the family must work, how many holidays may there be, at what age may one begin work, and at what age may or must one retire? How can the notion of "continuing full employment" be applied to seasonal workers, specialized workers, migratory workers, apprentices, incompetents who are discharged, and those changing jobs? Is not the need for "full" employment greatest when the living standard of people is lowest, and least when their standard is highest? Does not the idea of "full" employment dissociate wages from productivity? Are not productivity and prosperity, rather than "full" employment, the major considerations?

The bill directed the President to proceed as though our statistical data on the basic elements involved were complete and reliable or could be made available when needed. It directed him to make predictions on the basis of data known by competent economists to be incomplete and unreliable. It proceeded upon an unwarranted assumption that a deficit in what might be supposed to be the "proper" amount of spending and investment could be stated with accuracy, and that this deficit could be related in a definite manner to the unemployment which prevailed or might be predicted.

A remarkable thing about the agitation for this bill is that the Administration, which has publicly admitted that it does not know whether this country is headed toward what it calls "inflation" or toward deflation, asks that it be empowered and required by law to predict accurately eighteen months ahead. An example of this sort of admission is found in Mr. Vinson's *Third Report of the Director of War Mobilization and Reconversion* to the President and Congress, July 1, 1945, especially pp. 53-54.

It is reasonable to suppose that, if the Administration can predict the total spending, income, and expenditures, of consumers, business, state and local governments, and the Federal government, as assumed in the proposal for a "National Budget" in H. R. 2202, it could at least predict with a high degree of accuracy the receipts, expenditures, and deficits in a proposed Federal budget. The fact, however, is that the Administration has not been able to estimate receipts, expenditures, and deficits in the Federal budget alone during the ten-year period, 1935-1944, with anything approaching accuracy.

Henry Hazlitt, of the editorial staff of *The New York Times*, in the issue of Oct. 1, 1945, presented an analysis of these forecasts, and, if his data are accurate, actual *expenditures* differed from budget estimates by amounts ranging from 8 to 85% per year with an average error of 29%.

The errors in estimating *receipts* for the ten-year period ranged from 3 to 55% with an average error of 19%.

The range of error in the estimates of the annual *net deficits* in the Federal budget for six of the seven peacetime years was from 9 to 422%, the average error being 150%.

With a record of predictions such as this, confined to three

simple items in the Federal budget alone, there is no basis for assuming, as was done in H. R. 2202, that the Administration can predict with any accuracy many more items covering much more territory regarding which the Administration's data and knowledge would be, of necessity, much less reliable. Mr. Hazlitt put the matter correctly when he said: "If the President cannot accurately estimate what Congress is going to spend (though he has a veto power) how can he or his statisticians be expected to estimate accurately what forty-eight State Governments thousands of cities and towns, hundreds of thousands of business firms and 140,000,000 people are going to spend—when most of them are not even sure themselves?"

Fortunately for all concerned, a considerable amount of data has been appearing on the bad forecasting which has been made in recent months by various government agencies in connection with the number of people that probably would be unemployed at various dates in the early postwar period. For example, the *New York Herald Tribune* for December 16 listed the estimates of six Federal agencies and showed how widely the estimates deviated among these agencies and from the facts as they are now supposed to be. *The New York Times* of December 12 reported that in October, 1945, the Federal experts estimated that 8,000,000 people would be unemployed by March, 1946. By December 12, these experts admitted that they were probably off by 3,000,000. At that time they estimated that unemployment in March would probably be approximately 5,000,000. If we may assume that the latter figure will be correct—and we may not—, here is an error of approximately 38%, if we use 8,000,000 as a base, and an error of 60% if we use 5,000,000 as a base.

What should be of further great significance is the fact that, on December 10, President Truman publicly admitted that the government forecasts of unemployment had been inaccurate. He said: "So far the unemployment situation has not been as serious or as drastic as was originally anticipated." (*The New York Times*, December 10, p. 23.)

But in the face of these easily ascertainable and widely-publicized recent errors of a major sort in Federal forecasting of unemployment and in the face of the President's public admission of these errors, the President and some of his government associates are nevertheless still urging Congress to pass a bill that would require the President to build a program on a forecast that cannot be made, and has not been made, with any accuracy. This is indeed a phenomenon that should disturb deeply the thoughtful people of this country. It means that this Administration is willing to champion a program that runs counter to facts, the existence of which the President and other Federal officials have admitted. Apparently one should assume that the President has been receiving some very bad advice in this matter, and that he did not understand what he was recommending on December 20 when he urged the House and Senate conferees to insert in the new House bill the principal features of S. 380.

The fact that the President was authorized, in H. R. 2202, to submit revised or supplemental estimates or programs from time to time and was required to review Federal investments and expenditures quarterly would hardly solve the problems caused by a program launched upon the basis of a bad forecast.

The House bill, H. R. 2202, was essentially a series of assertions cut loose from realities. It stated how governmental policies were to promote private enterprise, how they were to bring about the desired activity on the part of business, how they would assure "full" employment, how consumers' expenditures would be increased or decreased as desired, how capital outlays of business would be increased or decreased as needed, and so on, just as though assertions of this type in a law could effect the ends desired.

The bill incorporated what has come to be known as a compensatory economy program, the soundness of which has been challenged repeatedly by many of our most responsible non-Socialist economists. Provision was made for government spending to take care of the estimated "deficits" in the "National Budget." No consideration was given to the effects of taxation or borrowing on the private economy. In so far as the theories in this bill went, taxation and borrowing might be exceedingly heavy and disturbing. No consideration was given to the possible size of the Federal debt or to other unfortunate disturbances which the proposed government policies and actions probably would cause. Under this plan we could have had a series of deficits until the public credit collapsed.

The bill, like the general run of comments on it by its proponents, revealed no understanding of the net effects of similar government policies in the past, as, for example, during the 1930's. When a policy, much like the one proposed, was tried in this country during those years, the economy was so disturbed that unemployment remained at a high level despite the heavy governmental expenditures. The flow of capital into new enterprises declined to a mere trickle. The velocity of bank deposits, which in general reflects people's optimism or pessimism or speculative inclinations, declined to the lowest level on record up to the time we embarked upon our armament program—to a point below that reached at the depth of the depression in July, 1932. Facts of this type were, and are, ignored by the proponents of this bill. Moreover its sponsors have offered none that would warrant support for the theories on which it rests. They have been asking the people of the United States to accept the bill on faith—on the basis of mere assertions, the declaration of purposes, and supposedly persuasive slogans.

The bill improperly took for granted that even though a nation has been plunged into a severe war, with all the attendant serious and radical adjustments that are involved, the central government, if it will only take certain supposedly-appropriate measures, can effect a smooth transition to a peace economy and enable the country to escape a severe postwar reaction. Many economists doubt that there is any basis in economics, or in economic history, for such an assumption, even if most governmental policies are wisely conceived and wisely executed. These economists believe that, so long as there are wars, severe economic adjustments and readjustments are to some degree unavoidable consequences. They insist that much of our thinking in the late 1920's was of the type being revealed by the sponsors of this bill and in other widespread current assumptions emanating chiefly from government circles. We thought then that if we could maintain a stable price level and continue certain other supposedly-enlightened policies, which our government was thought to be pursuing, we could escape a secondary and severe postwar reaction. We were soon taught the foolishness of those notions. Today we are seeing essentially similar assumptions made. The importance of a stable price level is being stressed substantially as in the late 1920's.

But this is not all. Today there appears to be no valid basis for asserting that our government's postwar policies and programs are generally well conceived or helpful in fostering production and heavy employment and the attainment of a relatively smooth transition to a private-enterprise peace-time economy. Leonard P. Ayres, in *The Cleveland Trust Company Business Bulletin* of December 15, says that we are now entering a depression "because unemployment is increasing, production is declining, and national income is falling." Continually since the close of the war, the Federal government has actively pursued policies which foster unemployment. At the same time the key policy makers and others clamor for a law which they allege will provide "full" employment. The policies pursued indicate that these policy makers do not know what it is that generates prosperity and heavy unemployment in a private enterprise system—assuming that they really desire to perpetuate it.

The authors of H. R. 2202 failed to recognize what qualified economists know to be the difficulties in "solving" the problem of unemployment by government action: A government is a cumbersome machine and slow in launching public works. It is difficult to start these in the areas of unemployment and, therefore, labor often must be moved to distant points and perhaps be provided with special housing and other facilities. Projects, once started, are rarely stopped when the need for such employment disappears Then there is the question of how to utilize the products or services for which there may be little or no demand. The supervisory bureacracy is wasteful, expensive, politically minded, and tends to perpetuate itself and to expand its undertakings. There is a tendency to compete unfairly with private enterprise and to cause it to shrink or die, which, in turn, provides excuse for still further expansion of government employment activities.

Despite provision in the bill for advisory and other committees the proposed "National Budget" would have been in control of a small group of statisticians who would have devised programs of national expenditures based upon their statistical estimates. It is hardly reasonable to suppose that the thirty otherwise busy members of the Joint Committee of Congress would have gone behind the reports of the statisticians and obtained a genuine understanding of the nature and shortcomings of the raw material used in such estimates. What one could have counted on, had this bill become law and had a serious attempt been made to carry out its provisions, was that this Committee and other advisory groups, Congress, and the President would have taken what this small group of managerial statisticians gave them, and that both Congress and the President would have acted upon such estimates. Otherwise, they would have been defeating the chief purpose of the program. The probable consequence would have been the discovery that, through the passage of this bill, we had instituted in large degree a Federally-managed economy with the management actually in the hands of a small group of statisticians. The new bill seems to eliminate this possibility.

Another serious mistake in that program was the unwarranted assumption that security in the form of assurance of "useful, remunerative, regular, and full-time employment" could be given to individuals by a government without at the same time sacrificing, to an undesirable degree, the freedoms which individuals must have if they are to go forward in the best possible manner. The bill did not face the fact that an individual cannot have freedom without, at the same time, incurring risks. It assumed that the people of the United States had reached a stage in which they were willing to sacrifice their guarantees of freedom to obtain what in fact would have been a spurious guarantee of employment.

The bill did not face squarely the question as to how the Federal government proposed to see to it that the person who might desire "useful, remunerative, regular, and full-time employment" was to get it, or who was to decide whether the job was "useful" and what was "remunerative". It did not indicate whether rates of pay were to differ or to be uniform. It did not specify what a "regular" and a "full-time" job was or how one was to get it if there were no openings in the fields where one's qualifications lay.

The net meaning of all the vague words involved could be nothing but government regimentation of those people who might be so unfortunate as to become the victims of the system which that bill, by its nature, would have instituted.

The fact is that if an attempt were to be made by the government to provide employment in accordance with the vaguely-worded promises in that bill, the government, of necessity, would have to determine when, where, and under what conditions the seekers of employment would work. This fact is not altered by the many assertions in the bill that one of its purposes was to encourage and to preserve private enterprise.

Indeed, and despite the great concern repeatedly expressed in the bill over the preservation and fostering of free, competitive, private enterprise, the program in its essence was a striking monument to a remarkable lack of faith in the virtues and desirability of private enterprise. The faith of the sponsors of that bill lay in greater control by the central government—in what has been called the "Welfare State". And the true nature of the so-called "Welfare State" is a matter that should be clearly undersood by all who wish to maintain private enterprise in this country. "The slave state," says the British economist Hayek, "always starts out as a welfare state. It promises freedom from worry, want—as many freedoms as you wish, except freedom from the state itself."

Some careful critics have regarded this program as probably the boldest attempt yet made in this country by government "plan-

(Continued on page 262)

Securities Salesman's Corner

By JOHN DUTTON

Night Calls — They Pay Off

There is something about a call made during the evening (if handled properly) that is far more effective than many interviews during daytime hours. During the busy day, most people have too many things on their minds. They find it difficult to concentrate upon what you have to say to them, if their mind is cluttered up with the many details of attending to the average business, or profession; under today's trying conditions.

When a man gets home, he begins to relax. By the time he has had his dinner he starts to calm down a bit. Sometimes he gets in that slipper and old coat mood, pulls out the pipe and for the first time in a busy day really has time to think about such things as his own comfort. The strain is off (providing the wife doesn't haul him out to a movie, or the kids don't upset his peace and quiet with the radio).

Many a satisfactory interview has been arranged by proposing a night call and making an appointment. Stress the fact that you are too busy at your own desk to get out to see your customers these days as often as you desire; and possibly your prospect is also too busy to do justice to the subject you wish to talk over with him. Either get him out to dinner, see him at your club, or meet him at his own home. But watch out here because many a man doesn't want his wife to know that he is buying securities. The same holds true of wives. For this reason, it's always a good idea to suggest a dinner, or a meeting at some other suitable place as an alternative.

Then use the telephone—use it after dinner hours between eight and nine P.M. It's best to talk to old customers and old acquaintances. Much business can be transacted with clients during evening hours by calling them from your own home. It's a great time saver and an excellent way to keep contacts alive. Use the same technique here. You are busy at the office—you want to keep them advised regardless of the fact that you have to call them at home. Be careful here to find out if they have a guest at their home or are going out for the evening. Do this at the beginning of your conversation. If such is the case, bring your conversation to a pleasant and quick ending. Never be a bore. Tell them you will call them on the morrow.

Another good time to call clients during evening hours is when you have something special to tell them. It's a good time to call about new issues that are pending—situations that you hope to get into—prepare them for action. We all like to think that we are important. It makes us all feel good to know that someone thinks enough of our business and our friendship, to call up after business hours to tell us about something that may be of special benefit to us. MAKE IT IMPORTANT. What a lot of good selling psychology is packed into that little admonition. If it's important to you—if it really means something—then make it important to your clients. You can do it by night calls, either in person or on the phone.

But don't overdo it. Don's make a habit of calling and calling at night—unless requested to do so. The night call should be kept for something special—make it exclusive—it's a salesman's 16 inch gun to be fired when he needs ACTION and wants to make sure he will get it.

Allen DuBois Now Partner in Wertheim

Allen C. DuBois has been admitted to partnership in Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges. Mr. Du Bois has been with the firm for some time as manager of the syndicate and dealer departments.

Wm. C. Orton, Jr., Now At Bendix, Luitweiler

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, announce that William C. Orton, Jr., formerly with George R. Cooley & Co., Inc., has become associated with them as manager of their Unlisted Stock Department. Prior thereto he was with G. A. Saxton & Co. and was a partner in Wm. C. Orton & Co.

The "Full" Employment Bills

(Continued from page 261)

...ers ... a Federally-controlled peacetime economy.

"Continuing" full employment" simply cannot be assured in a free society. Had that bill become law, and had serious efforts been made to enforce it, the probable effect would have been to discourage rather than encourage private enterprise and to decrease rather than increase non-government employment. The Federal government would have assumed an explicit responsibility for "full" employment in this country. Presumably, the best Administration would have been the one that would emply the most people. This could easily have led to huge Federal spending, huge bureaucracy and patronage, and, finally, to totalitarianism and national bankruptcy.

Although the bill undoubtedly misled many people by its repeated expressions of an aim to encourage and to utilize private enterprise in carrying out the proposed program, these people apparently did not notice that escape clauses were invariably provided which would have enabled the President, with the cooperation of a majority in Congress, to do practically anything he pleased. In addition, it contained various broad and vague provisions under which those responsible for the proposed policies would have attempted almost anything in the way of instituting a Federally-managed economy.

In short, the basic question presented to the people of the United States by H. R. 2202 was whether their thinking and activities were to continue in the direction of preserving and enlarging the freedom of the individual or whether they were to follow those of Socialist-Communist-Authoritarian Europe.

Fortunately, the majority of the House Committee on Expenditures of Executive Departments recognized these things and produced a bill that reflects the sober judgment of responsible people who really understand and believe in the virtues and desirability of the enterprise system which, in a relatively short time, has raised the standard of living in this country beyond that of any other in the world.

* * *

Just a few observations regarding the bill S. 380 as passed by the Senate before we summarize the chief features of the new House bill: Fundamentally, it contained two basically conflicting policies, if one can read any meaning at all into the sentences which carried so many qualifying, nullifying, and contradictory words. On the one hand, it embodied the principle of compensatory spending and deficit financing. On the other, it seemed to require a balanced budget.

If the theory of compensatory spending is to be pursued, there is no place in such a program for a balanced-budget policy that must be carried out at some specified time. This bill called for a balanced budget beginning with the fiscal year 1948, but "without interfering with the goal of full employment" — whatever that qualification may mean!

The statement of purposes and the long title both continued a large number of politico-economic incantations substantially as in H. R. 2202. For example, the title stated that one of the purposes of the bill was to assure continuing full production. Nobody could possibly define full production or know when it existed. The remainder of the bill differed little from H. R. 2202.

The revisions seemed to reveal a fear of some of the dangers mentioned here and at the same time a greater fear that nevertheless an attempt should be made to enact something called a "full employment bill." In general, it pretended or attempted to provide for something without providing specifically for it.

* * *

The House Committee's Employment-Production bill wisely throws out the program for a "National Budget" and provides, instead, for an *Economic Report* by the President to Congress within 60 days after the beginning of each regular session of Congress, commencing with the year 1947, on conditions affecting employment in the United States. He is to make recommendations for legislation, but he is not called upon to forecast, as provided for in H. R. 2202. Under the provisions of this section he can accomplish anything that he could possibly accomplish in behalf of prosperity and emloyment under a government that really intends to avoid the road to totalitarianism. At the same time he can escape the awkward and dangerous position in which H. R. 2202 would have placed him and perhaps avoid leading the country into an unfortunate situation. Rather than criticize the House Committee for producing this bill, the President should give them his everlasting thanks.

The bill provides for programs of Federal public works and loans, and for encouragement of state and local works under conditions of sound fiscal policies for both Federal and state governments. It provides further and definitely for the encouragement of private enterprise.

It provides for a council of three economic advisers to the President on matters dealt with in the bill. These men are supposed to be exceptionally qualified by training, experience, and attainments to analyze and interpret economic developments, to appraise programs and activities of the government, and to recommend national economic policies as they have a bearing upon increasing or decreasing production and employment under our system of private competitive enterprise.

Provision is also made for a Joint Committee of Congress on the *Economic Report* to be composed of fifteen members from each House, reflecting the relative strength of the majority and minority parties. This Committee is to study the matters relating to the *Economic Report* and to make recommendations to both Houses of Congress not later than Mayy 1 of each year.

One minority group of the House Committee on Executive Expenditures thought that this bill was really unnecessary and would involve a further wasting of the taxpayers' money—about $445,000 per year—since, so they contended, practically all the things which the bill authorizes could be accomplished now without any further legislation. There probably is much to be said for this view, and it may turn out to be the correct one. Nevertheless, the new bill has the virtue of providing a specific machinery devoted to a central worthy purpose. It points up the problem of unemployment sharply, and under it the Federal government may be able to produce some genuinely good results.

In any event, there appears to be little probability of harm in this new bill, aside from the possibility of further waste of the taxpayers' money, and there is the possibilty—perhaps a considerable probability — that surprisingly good benefits may flow from the efforts which may be made under its authority. It reveals an infinitely higher order of economic statesmanship than that involved in the other bills under consideration, and the country is fortunate indeed that such a bill was produced in the light of the great dangers that were inherent in H. R. 2202 and S. 380.

Maloney, Former Secs. Commissioner of Mo., Joins Slayton & Co.

Russell Maloney, Commissioner of Securities of the State of Missouri since 1934, has announced his resignation from that office to become Treasurer and Director of Slayton & Co. Inc., effective Jan. 21, 1946.

Russell Maloney

Mr. Maloney, during the 12 years he served as Missouri Securities Commissioner, was active in the National Association of Securities Commissioners and held various offices, including the office of President in 1940-1941. He was Host Commissioner for conventions of the National Association in Kansas City in 1938 and in St. Louis in 1944.

A native of Quincy, Ill., Mr. Maloney has resided in Missouri for the past 43 years, having moved to Kansas City in 1910 where he received his LL.B. degree from the law school of the University of Kansas City in 1925. He is a member of the Kansas City and Missouri Bar Associations and served as assistant prosecuting attorney in Kansas City for two years prior to his appointment as State Commissioner of Securities.

Slayton & Co., a Missouri corporation, founded in 1930 by Hilton H. Slayton, President, is a national retail investment organization specializing in mutual investment funds. In addition to the home office, located in St. Louis, the firm operates offices in Kansas City, Chicago, Detroit, Toledo, Indianapolis, Nashville, Los Angeles and other cities. To supplement the company's own research department, the firm employs the services of nationally known economists.

Mr. Slayton, in announcing the election of Mr. Maloney as Treasurer and Director of Slayton & Co., said: "Mr. Maloney will be of inestimable benefit to both Slayton & Co.'s investors and representatives. His long years of experience as a successful securities administrator well qualify him for the position he has accepted with our company. We feel gratified in securing the services of such an able executive."

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

The transfer of the Exchange membership of John H. Brooks, Jr., to James L. Atherton will be considered on Jan. 24. Mr. Atherton will continue as a partner in J. H. Brooks & Co.

Privilege of Joseph A. Esposito to act as alternate on the floor of the Exchange for Paul S. Zuckerman of Paul S. Zuckerman & Co. was withdrawn Jan. 10.

Privilege of A. Brendan Cooke to act as alternate for Herbert W. Sierck of Sierck & Cooke will be withdrawn on Jan. 14, and the firm will dissolve on that date.

Arthur G. Moore of Erickson Perkins & Co. died on Jan. 8.

Interest of the late Acosta Nichols in Spencer Trask & Co. ceased on Jan. 9 and on Jan. 10 the Estate of Mr. Nichols was admitted to limited partnership in the firm.

Will Great Britain Adopt a Multilateral Trade System?

(Continued from first page)
even "was far from happy about giving up regional and bilateral pacts."

A multilateral trade system is advocated not only for the United States and England but for all the other trading countries, because it gives free play to the principle of division of labor or specialization. If goods and services are allowed to flow freely from place to place and country to country, the productivity of the trading nations would increase through the resulting specialization and all of them would reap the reward in the greater abundance of consumable products and services.

A trade conference has been proposed for England and the United States at some time during 1946. The commercial policies of the two nations are to be on the agenda. Specifically, England's restricted trade policies, which she has adopted during the past decade or more, are to be discussed. In trying to forecast the probable result of such a conference, it would be appropriate to consider some of the changes that have taken place in the economy of England through tariff legislation and through special agreements which she made with other countries.

UK Chose Controlled Economy

Even if the United Kingdom is granted a loan-gift she will find it extremely difficult to modify her protective tariffs, empire trade preferences, cartel systems and other bilateral arrangements with certain countries. We should bear in mind that of her own volition, largely on the basis of the Macmillan report to Parliament (1931) she chose a controlled economy with tariff restrictions in 1932. She did this only in part on account of the world depression at that time. The Macmillan Report states: "The difficulties which we have faced were to a large extent peculiar to our own country and were not common to the world at large. Up to 1929 we suffered from trade depression in many of our great industries accompanied by a more or less steady figure of one million unemployed at a time when some other countries were enjoying a considerable degree of prosperity." Her own economic position had been growing worse during the twenties as an aftermath of the first World War and increased international competition, coupled with an apparent inability to rationalize her own industries so that they could operate on a world competitive basis.

When the question of multilateral trade comes up at a trade conference in 1946, we shall find the English delegates jockeying for a monopolistic position of special trade privileges in various fields. The avenue of a restricted trade policy on which she embarked in 1932 calls for no turn in the road. This program has too great a following both among the industrialists and the financiers to be set aside now without difficulty.

Previous Record

Past events may throw light on the attitude of the English whenever their trade privileges are brought under pressure. It will be recalled that they signed a trade agreement with the United States on the basis of the Hull plan in 1938. This is known as the Anglo-American Agreement of Nov. 17, 1938. It was supposed to liberalize and promote the trade of the two countries. But the English continued immediately afterwards to develop further their cartels and special trade arrangements with other countries. As an example, British industries had entered into a number of cartel arrangements with continental producers. The Federation of British Industries wished to assist in extending and perfecting this program. Representatives of the British Federation attended a conference in Duesseldorf with the **Reichsgruppe Industrie** March 15 and 16, 1939. These conversations went on with the full knowledge and approval of "His Majesty's Government." International political tension prevented these talks from resulting in a definite agreement. But we may be sure that they were not held for the purpose of rounding out the Hull program and making it more effective.

We may add that just at present the newspapers are reporting that the British are forming a cartel for the sale of drugs. It is indicated that while the United States is a competitor in the same field, the British backers of the new cartel are determined to capture the market. It is intimated that the new combine will aim at the former customers of the German cartel, the I. G. Farbenindustrie. These examples are brought up to indicate the strong tendency toward cartelization in English industry.

U. S. Tariff System Magnified

Concerning the relation of the level of customs duties of the United States to English trade restrictions in general, it is rumored that the English loan negotiators have intimated that if our representatives at the proposed trade conference will press for the renunciation of England's cartel system, her delegates will try to offset these trade restrictions on their part by attacking the system of customs duties of the United States.

The English are accustomed to magnify our tariff system beyond measure, without considering the level of their own customs duties. An American citizen may also be of the opinion that our tariffs are too high; that they do offer obstruction to foreign trade in general, but he still might wish to consider the fact that England herself has had fairly high protective duties since 1932.

The late Mr. George N. Peek, in his book entitled, "Why Quit Our Own," points out that while American imports paid duties averaging 17.9% for the fiscal year ending 1932, the duties collected by the United Kingdom over the entirety of her imports for the same period amounted to 17.4%. This seems to indicate that the tariff systems of the two nations have for better than a decade been operating on the same level.

We are all aware that English lecturers in the United States have been severely condemning us on account of our high tariffs while assuming at the same time that their duties were not interfering with foreign trade. They have cultivated the thought that England was virtually a free trade nation—as indeed she had been for nearly a century preceding 1932,—without admitting that the general level of import duties for England and the United States has been the same for more than a decade.

The Other Side

It is rather strange, too, that some of our extreme internationalists have found no objection to the import duties of the United Kingdom, but have constantly raised serious objections to our own tariff levels. Mr. Peek in his book avers that he understands quite readily why the English and other foreigners would like to sell in the American market, which is the most important of all the markets of the world, but is at a loss to comprehend how some American officials and others of our citizenry can accept the argument that only the United States is to be blamed for fostering a high tariff. This shows that the extent to which England has shifted her position from free trade to protectionism is not appreciated in the United States.

Along with England's desire to be unhampered in the application of direct trade restrictions, we should also consider her program to retain a free hand, if possible, in dealing with her currency in international trade. This may be called an indirect though very effective method of influencing the flow of goods and services among nations. The most important of these are: (1) Her development of a sterling area out of which have come the blocked bank deposits of a number of countries belonging to this group as well as the system of having London monopolize and distribute the dollar credits which are accumulated by members of this bloc. (2) The provision of the Bretton Woods Agreement permitting England and other member countries to change the value of their currencies for a period of five years after the final establishment of this International Monetary Fund. Parenthetically, it should be added that the English are complaining at present because this transition period has apparently been reduced to one year in the recent Washington loan-gift negotiations. They refer to this as a "premature restoration of the convertibility of sterling."

Sterling Area Threat to Free Trade

The sterling area mentioned above, with England as the controlling element, would be just as inimical to the development of a system of multilateral trade as direct trade restrictions of various kinds. The blocked London bank balances have been frequently attacked. As an example, the India delegates at the Bretton Woods conference petitioned for the privilege of using a part of India's London bank balances for the purchase of goods in the United States. The request was denied them because a breach in the sterling area regulations would have been involved. From Hong Kong the news has just come that trade is almost at a standstill in that main South China port which is controlled by England. The chief reason given is that Hong Kong is in the sterling area and exchange restrictions limit imports to essentials which are obtainable elsewhere in this sterling area.

Concerning England's privilege of making alterations in her rate of foreign exchange, specifically to change the international relationship of the Pound to other currencies, the following comments may be made: It has been assumed by many in the United States that as an aid in the reestablishment of multilateral trade the Pound and the Dollar should be brought into a fixed relationship with each other. This is a special recommendation of some of our leading bankers and some distinguished economists. It has been called the Key Country Approach to the stabilization of the value of the currencies of all trading nations. It is assumed that if the Dollar and the Pound were anchored to each other, the other countries would gradually fall in line by adapting their currencies to this arrangement, which would result in a general convertibility of all currencies and in this way multilateral trade would be fostered.

England Wants Free Hand

Questions have been raised as to the feasibility of such a plan and particularly whether England would care to have such an arrangement made, if it were possible. From the entire discussion of the Bretton Woods proposals, it seems clear to me that England herself is not interested in anchoring her currency to the Dollar any more than she is willing to tie it to gold. She fears that this might cramp her style in handling the problems of her economy as they come up from time to time. She has claimed for a number of years that her internal cost price structure is more important to her than the external value of the Pound in foreign exchange. This means that she wishes to be free to alter the external value of her currency whenever internal economic conditions make this seem desirable. Her delegates did not consent to the International Monetary Fund (the agreement antedating the final Bretton Woods proposals), until after it was made the duty of the Fund, as Lord Keynes expressed it, to approve changes in the external value of a nation's currency.

Status of the Pound

The question of the value of the Pound is an intriguing one to many of us. What is the Pound actually worth today in terms of the Dollar? How much would it fall in international value if its pegging were discontinued? How much credit will be required of the United States if the Pound is to be anchored to the Dollar for an indefinite future period? An attempt to answer these questions at the present time would be mere guesswork. When the Pound is set free, its value will be reflected in the rate of exchange. A nation gets a rating in this way which is tantamount to a world opinion on its economic condition. The rate of exchange is an index of the soundness of its economic system, of its ability to pay for its imports with exports. Short time variations in the rate of a free exchange can be remedied by credit in the form of loans or gifts, but a nation's long term rate of exchange depends upon its ability to send out economic values in the form of goods and services to meet its foreign obligations.

It is doubly hazardous therefore to embark on a program of stabilizing the Pound when the English themselves have been averse to such a plan. We should bear in mind that there has been a fundamental cleavage between the United States and England on this point. We have been talking in terms of multilateral trade while her people have been thinking largely of cartels, empire preferences, and special bilateral arrangements. I do not believe that she can be wooed away by loan-gifts or other concessions from her own program.

Lip-Service Only

The confusion of voices in Parliament when the acceptance of the loan-gift plan from the United States was under discussion, reflects the unwillingness of the English people to forego their restrictions on trade and finance to which they have become accustomed. They may give lip service to the conditions of the loan-gift because of the possibility of receiving billions of dollars worth of consumption goods to bolster up temporarily their standard of living, but once their real economic condition becomes increasingly evident, they will drop the loan-gift agreement as having been accepted "under duress." The question may even come to a head at the trade conference in the course of this year. This is not to be construed as an attempt to bring charges of bad faith in advance. The sincerity of individuals is not being questioned, but economic trends and principles are being affirmed and emphasized.

DeStaebler & Brewster to Moseley's N. Y. Office

F. S. Moseley & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Eugene L. DeStaebler, formerly municipal manager of the firm's Chicago office, has been appointed manager of the municipal department, with headquarters in New York. Gerald W. Brewster, formerly municipal manager in Boston, has been named manager of the municipal trading department in New York.

Farmers' Stake in Full Employment

(Continued from page 247)

tably, unless the [illegible] of the postwar backlick were understood and the necessary action taken in time. For a full year after I first began talking about a postwar agricultural depression, prices climbed higher and higher. It seemed as if my diagnosis were surely wrong. But in the summer of 1920 the bubble burst.

Can Have Another Farm Depression

Today, just as in 1919, we can learn from what happened to the farmers of England after the Napoleonic Wars, to the farmers of the United States after the Civil War, and to the farmers of the world after World War I. And once more, looking to the future, I say that these things do not have to happen again—but they will happen again unless we act boldly—and act in time.

The immediate future can easily deceive us as to the true nature of the trend. No one knows how much inflation may distort our judgments in 1946. No one knows whether Congress will extend certain emergency price controls—temporary but essential—after June 30. No one can be certain as to when management and labor will settle down to their peacetime job. But with management, labor and money fully cooperating for maximum production in the cities, there can be no long-continued inflation in this country. Without this maximum production nothing can prevent inflation in certain lines.

For all of 1946, at least, we will also need maximum production on the farms—for the most serious problem in the world this year is the scarcity of food. More than half the people of the world are now living on about half as much food per capita as we consume in the United States. In Europe they do not have the energy to mine sufficient quantities of coal not only to keep themselves warm but to start the wheels of industry turning again.

We in the United States cannot, by ourselves, rescue the world from all its troubles—but we can by extra effort in 1946 prevent millions of unnecessary deaths and avoid the bloodshed of unnecessary social strife. We have already made progress in establishing the international machinery which will make it possible to expand the movement of civilian goods abroad.

After World War I, the farmers of this country had no mechanism like the Triple-A through which they could rebuild their soil. The hillsides that had been put into dollar-and-a-half corn eroded. Much of the Great Plains acreage which had been ploughed for two-dollar wheat blew away. Then prices fell—and both the land and the farmer were defenseless.

Today there is the bulwark built by you men of Triple-A and the farmers who work with you in the counties and the townships. You saw the miracle of soil-building in the Thirties make possible the abundant production of the Forties. But under the stress of war we have drawn heavily upon the bank account of soil fertility which we built up in the Thirties. The restoration of this soil fertility is the first big task for Triple-A after meeting the heavy demands of 1946.

My grandfather used to make many a speech on the subject of "The Voiceless Land." He would not say these things today—because today there are thousands of voices to speak for the land. You men of Triple-A speak the voice of the land. And as long as the good land has such spokesmen the heritage of our children shall not be one of despoilation.

Soil-building is the firm foundation upon which agricultural prosperity is built. But farm prosperity can not be maintained apart and independent of the national prosperity.

One of the chief reasons why I took the job of being Secretary of Commerce was because I learned as Secretary of Agriculture that the farm problem could not be wholly solved on the farm. Too much depends upon what the businessmen and workers do in the cities and the towns. The farmers' market is the market basket of the workers in the cities.

Farmers Prosper Only When the Nation Prospers

Farmers in this country have never prospered except when the country as a whole was busy and the workers had pay checks to spend at the corner grocery store.

But in the last 25 years we have learned not only that agriculture depends on general prosperity, but also that it is possible for agriculture to remain depressed even when the rest of the country is in good shape. This happened in the Twenties, as you well remember. Throughout the boom of the Twenties and the crash of the early Thirties, the farmer was the stepchild of the American economy. Not until a consistent, coordinated and courageous program was worked out by a new administration responsive to the need did agriculture recover the relative position it had occupied throughout our history before the first World War—the relative position we call parity.

Let me give you a couple of facts just to illustrate how closely the farmer depends on the pay checks of the workers in the cities. Undoubtedly you know them well—but let's pin them high for all to see and remember.

In 1929 factory payrolls were $11 billion; farm income was $11 billion. In 1932 factory payrolls were $5 billion; farm income was also $5 billion. They rose together during the years of recovery.

Even during the strenuous days of World War II this basic fact has been demonstrated by the rise in farm income paralleling the rise in the earnings of industrial workers generally. If the workers in the cities have money to spend, the farmer has a market for his product at a good price.

The worker in the city has money to spend for a full market basket when he has a job at good wages. I use the phrase, "at good wages," deliberately. Farmers are inclined to think too much about the wages they have to pay—and not enough about the wages paid to their customers. As an old neighbor said recently: "When wages are high my farm is prosperous."

And what makes "good wages?" Of course it is simply a condition where a man doesn't have to take starvation wages. And the reason why he doesn't have to take starvation wages is because he can scout around and find a decent job at useful work.

That is what the term full employment means to me. It is simply a condition where everybody who is able and willing to work has a chance to earn a decent living. Notice that I said **able** and **willing** to work. Also that I said **work** and **earn.** Also that I said a **decent living.**

Why is full employment so vital to the interests of the farmer? Well, in the first place, it means the worker's well-filled market basket. But there is another connection here not too generally understood. Why should the farmer want full employment opportunity? Why won't it be a good thing to have, say four or five million unemployed so as to keep wages down and labor efficiency up? This seems to be what a sizable crowd of lip-servants to progress really hanker for. They actually seem to feel more comfortable when there is a line of job seekers at the factory gate.

All right, let's look at this proposition a little more closely.

If this condition were chronic—if several million people, willing and able to work and seeking work, couldn't find decent jobs, they would return eventually to the small towns and the farms where a man can exist on less—sometimes, as experience has shown, on less than nothing. You know what that means. You saw it in the Thirties when the farms were, in effect, the national poor house—the last refuge of friends and cousins for whom the cities held no hope and no haven. Then given such a situation, down go farm wages. And down go farm prices. And down, too, goes the farm market for automobiles and plows and tractors. And up goes the line of unemployment in the cities—higher and higher. And away the whole Nation goes—hell bent for economic chaos again.

But the farmer's interest in the condition we call full employment is not simply his commercial interest as a businessman.

He is also concerned and I think deeply responsible as an independent citizen — traditionally the most independent in our whole society, the most conscious of the real pricelessness of personal freedom, the most jealous of any restriction on that freedom by either private or public encroachment. The core of independent citizenship in the United States is still the independent farming population—worthy of their freedom and able to protect it through their own free government. The independent farmer and the independent businessmen must remain the seedbed of our free enterprise system. This they can do only in a full employment economy of abundant opportunity.

The farmer's final interest in full employment, I would say, is his interest as a family man.

There are about twice as many boys and girls growing up on farms as will be needed to produce our future farm product requirements. The good land is mostly occupied. New power equipment, more electrification, and better farming methods mean more production and more income per acre—but they also mean that fewer workers will be needed on the farm.

Where are these extra boys and girls going to find their opportunities to earn a decent living? In the towns and cities—in stores and garages and factories and offices and schools—**provided** we maintain the condition of full employment opportunity.

Of all the reasons why farm people should take leadership in demanding action for full employment, this is the most important—their responsibility toward their children.

How Do We Get Full Employment Opportunity and Freedom?

There are voices of reaction that say it is impossible for a free people to provide and maintain, for each other, a condition of full employment opportunity without losing their cherished freedom.

This counsel of defeat comes from those who always fight any progressive movement — any systematic effort on the part of the people as a whole to better their lot. They say that any kind of planning means regimentation — except, of course, their own planned economy of scarcity.

They say it is impossible for free citizens to get together and act jointly for common objectives. Well, you men of Triple-A know better. You know what we **can** accomplish by democratic planning. And you also know from your own experiences the methods of the little men of little faith who fear the democratic process. You know them for what they are—enemies of freedom and of opportunity.

These enemies of the democratic process also have another line of attack. They say the job of providing and maintaining full employment opportunity is just too big.

Well, **it** is too big for private groups or interest. Business cannot always assure the opportunities we need; the wiser heads among our business leaders know this; they realize that there are factors involved that are quite beyond the control of business. Labor cannot do it. Agriculture cannot do it in this modern industrial age when more than 80% of us must find our opportunities somewhere away from the land.

It is truly a job for all of us together.

How do we act together—all of us? Just the way we have always acted when the need arose. We act through our private organizations of many kinds. We mobilize our local governments and our county governments. And for the things that must be done on a national scale we mobilize our Federal Government. This is what we do, and always have done when the need arises for action on a national scale. Do we sacrifice our freedom? Certainly not. We exercise our freedom. We strengthen it.

Together the free peoples of the earth have found the strength to crush the disciplined and regimented power of the nations that foreswore their freedom. Did we find it impossible to do this without losing our individual liberties? No; our institutions and our liberties are intact. If anything, they have been strengthened by this experience.

Now we face another test, an-

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The one market in the past in which there was supposed to be a minimum of speculation was the Government bond market. . . . Present conditions seem to have modified this idea somewhat since the sensational price advance in Government bonds is rivaled only by the spectacular spurt in quotations for common stocks. . . . It has always been quite generally conceded that the latter type of security has attached to it a certain element of speculation. . . . After the Sixth War Loan, when it was believed that there would be a change in the financing pattern, the Government bond market began an upward trend, led by the bank eligibles, that carried prices to new all-time highs. . . . That was the first appearance of a speculative trend in the Government bond market. . . . More recently, at the conclusion of the Victory Loan, we again find a not dissimilar price pattern in the making, paced this time by the restricted obligations. . . .

The feeling now, as in the past, is that there will be another change in the financing program, which will result again in lower coupon rates for future issues of Government obligations. . . .

. After what happened to the prices of bank eligible issues, since the Sixth War Loan, and the way in which the Treasury fitted its pattern of financing to meet these changed conditions, there seems to be only one conclusion to draw if the recent price advance in the ineligible issues keeps up. . . .

TREASURY WILL OBLIGE

As long as non-bank investors scramble for the outstanding obligations, motivated by the fear that they will not get any more 2½s, it is quite likely that the Treasury will again be obliging enough to pattern its future financing to meet the needs of the market. . . . It is quite evident that the Government cannot come along and offer long 2½% bonds, when comparable outstanding obligations are selling in the market to yield 2.25% or less. . . . Whether this trend to lower coupon long-term restricted obligations continues, depends to a large extent upon the buyers of these securities as well as the Treasury. . . .

It seems as though it would be to the advantage of non-bank investors to consider carefully the results of the present rush to acquire the outstanding restricted bonds, since it is the opinion of money market experts that further sharp price advances leave the Government with only one alternative. . . .

COMMERCIAL BANKS' PROBLEMS

The problem of the commercial banks with reference to investments is still complicated, particularly those institutions that are more savings banks than commercial institutions. . . . The 2½% due Sept. 15, 1967/72 is the only obligation that these banks can buy that pays their expenses, unless they change their investment policy and purchase corporate securities, which is what many of them are doing at this time. . . .

The purchase of corporate obligations has narrowed the spread between AAA corporates and Governments to a point where some of the smaller institutions are no longer interested in the highest-grade corporates. . . .

These banks are presently looking at A, and lower-rated corporate issues, which is definitely an unfavorable trend as far as the banking system is concerned. . . . While it is important that increased purchasing power in the form of larger bank deposits be retarded, it is also important that the quality of bank assets not deteriorate too substantially. . . .

IT'S DEFINITE

There is no doubt that interest rates will continue to remain low, but the present trend in the Government bond market is no longer based entirely on low interest rates. . . . Government bond prices have now reached the point where "market gossip" seems to be playing a more important role than basic fundamentals. . . . Some of these market factors are:

(1) Reports that the Treasury and "Federal" do not see eye to eye on a program of future financing. . . . There are those who believe that advantage should be taken of present conditions, regardless of future consequences. . . . . Politically, lower carrying charges for the debt is what is important. . . .

(2) Considerable discussion centers about the daily limit of 8/32nds for fluctuations in individual bond prices. . . . It is believed by some that under present conditions this has tended to make the market very thin. . . . The holders of obligations that are in demand refuse to sell until the limit has been reached because more money is made by holding the obligations than trading them. . . .

(3 "Federal" cannot stop the uptrend because they are not in a position to supply the market with long-term bonds. . . . The Central Bank's holdings of this type of security are too small to have any appreciable effect on the large demand that is now in evidence. . . .

(4) There are those who contend that the loaning rate to dealers should be changed. . . . It was pointed out that this would have a retarding effect on the market. . . .

(5) The sharp return flow of currency from circulation is being felt in many localities, and these funds must be put to work irrespective of the level of prices. . . .

(6) There is considerable "Street" talk about a one-year ¾% issue. . . .

(7) The opinion now in some quarters is that the next issue of long-term obligations will have a much longer maturity and a lower coupon rate, but a shorter period, when it will be eligible for purchase by commercial banks. . . .

(8) No new money financing during 1946. . . .

(9) A price of 105 being forecast for the 2½s due 12/15/67/72. . . .

ANYTHING CAN HAPPEN

The Government bond market has now reached levels that are very high and one must be constantly prepared for developments that could affect its future course of action. . . . Accordingly, the refunding of callable or maturing obligations in 1946 is being watched very carefully because it is believed that from this operation will come the pattern for future financing. . . .

In the type of obligation that is offered in exchange for the called or matured issues will come the answer as to whether the Treasury is shaping its program to promote stability in the market or it is still a question of minimizing the interest cost of servicing the debt. . . .

If these obligations are taken care of by certificates of indebtedness it will most assuredly mean that the Government is interested only in reducing the cost of carrying the debt. . . . Because it is an election year, and interest rates are so important politically, many feel that this will be the course followed irrespective of the longer-term consequences. . . . This will move up the level of the whole market and force the commercial banks deeper into the corporate market. . . .

PROGRAM SUGGESTED

A policy of offering part in bank issues, such as a 1½% due 1954/56, along with longer-term restricted obligations to non-bank investors to provide for called and maturing obligations, would have a stabilizing effect on Government bond prices. . . . To the extent that these bonds are sold to non-banking institutions there would be a reduction in deposits. . . . The cost of carrying the debt would also be reduced by this operation. . . .

It would also be possible to bring stability into the Government bond market and at the same time reduce the cost of the debt by refunding certificates, called and matured obligations with a combination of a ¾% obligation, medium-term and long-term securities that could be bought by the commercial banks as well as non-bank investors. . . .

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other threat. And the threat of chronic mass unemployment and stagnation is as dangerous as the threat of war. We simply dare not risk another cycle of boom-and-bust.

What shall we do to avert this cycle of danger? It is clearly a national problem and calls for national action. The first need is a kind of mutual pledge to each other as free citizens that we will do this job—that we will take such action as will assure continued opportunity for everybody able and willing to work to earn a decent living and that in the doing we will protect and increase our real and personal individual freedoms.

How do we do this? Why through our Federal Government, of course This is what we set it up for in the first place—to do those things which we wanted done and which we couldn't do as individuals or through our other forms of organization.

We need a statement of Federal policy adopted by our elected representatives that will amount to an economic charter; a statement that will express our mutual pledge and set it forth where all the world may see.

This economic charter must recognize the right of equal opportunity to a chance to earn a decent living. It must acknowledge that it is our mutual responsibility to insure that right. Finally, it must pledge that in order to make good this mutual responsibility, our Federal Government will act in our name and by our authority to do those things that may be necessary to accomplish this—within its powers, and with due and proper regard for the individual liberties that we guaranteed each other when we created this Federal Government by the Constitution of the United States.

Does that sound revolutionary to you? I think it is plain common sense. And I know as well as I know anything that it is the will of the American people in their vast majority. To say that it is beyond our powers is to challenge the very foundation of free government.

Then, having laid down this resolute commitment, we must go ahead with a coordinated national program of action. There is no single measure or policy that will do the job. It will take a whole series of measures and policies. It will take a systematic, well-thought-out program of Federal measures that will direct the activities and the policies of the national Government toward the basic objective of full employment opportunity.

A full employment bill that would meet these requirements for a national economic charter and that would set up the necessary machinery to work out a practical, coordinated program of action was adopted by a vote of 71 to 10 in the United States Senate as long ago as last September.

In December the House of Representatives rejected this thoughtful legislation and substituted something entirely different and inadequate. The two bills are now in conference between the Senate and the House. It remains to be seen whether constructive measures can be gotten out of this session of Congress. If not, we will have to try again.

You all know where the final responsibility rests. It rests in every election precinct of every Congressional District in the country. It is up to you.

The action for full employment that you get from Washington in the critical years ahead will clearly reflect the kind of men and women you people pick in the primaries and send to Congress in the fall—in 1946, in 1948, and after.

This goes not only for full employment. It goes also for programs of decent health, housing and education—for a sound, progressive tax and fiscal policy—for a permanent Fair Employment Practices Act, for an adequate minimum wage and adequate provision for the old, for the wise and beneficial development of our rivers and forests. And it goes for the control and use of atomic energy so that it will serve us and not destroy us.

There is only one way we can have social and economic progress in this country. That is by getting out the vote behind the proven friends of progress.

It is the only way we can get the courage and responsibility in Washington that are as necessary to win the peace as they were to win the war.

Schiller Pittsburgh Mgr. for Cole, Hoisington

PITTSBURGH, PA.—Morgan B. Schiller, President of American Tubular Elevator Co. since 1927, has joined Cole, Hoisington & Co., economic consultants and investment counselors, as resident manager of a Pittsburgh office which the firm is opening in the First National Bank Building.

W. P. Browne Returns to Eastman, Dillon

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that W. Paul Browne, who served during the war as a colonel in the U. S. Army Air Corps, has returned to active association with the firm.

Partners Rejoin Lehman After War Service

Joseph A. Thomas, William S. Glazier, John R. Fell, Frederick L. Ehrman, and Philip Ickelheimer have been released from service in the Armed Forces and have resumed their activities as general partners in Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange.

Financial Statisticians of S. F. Elect Officers

SAN FRANCISCO, CALIF.—Douglas R. Johnston of North American Investment Corp. has been elected President of the Financial Statisticians of San Francisco, to succeed C. E. Schick of the San Francisco Stock Exchange. Charles E. Fagg of the American Trust Co. was elected Secretary-Treasurer of the group.

MacFadden Named V.P. of Lobdell & Company

Lobdell & Co., Inc., 20 Exchange Place, New York City, announce that Donald S. MacFadden has been elected a Vice-President of the firm. Mr. MacFadden was formerly associated with Mellon Securities Corporation and Blair & Co., Inc. Prior thereto he was with the War Department in Washington, and was with Goldman, Sachs & Co.

Fox, Reusch Corporation

CINCINNATI, OHIO—Fox, Reusch & Co., Dixie Terminal Building, is now doing business as a corporation. Officers are Oscar S. Fox, President and Treasurer, and Carl H. Reusch, Vice-President and Secretary.

Cohen, Simonson Partner

Cohen, Simonson & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Seymour C. Simonson to partnership on Feb. 1.

Should Congress Approve Loan to Great Britain?

(Continued from page 246)

By HON. C. WAYLAND BROOKS

give $20,000,000,000 of lease-lend for practically nothing—and

It is presented in conjunction with a proposed future program of Commercial Policy Declaration which is full of evasive promises.

In short, we forgive $20 billion lend-lease debt and give up a fresh 3,750,000,000 American dollars and get contracts of future promises full of escape clauses and loop-holes.

Second:

I am opposed because the British didn't want this loan but we forced them to take it, along with their hasty agreeing to Bretton Woods, settling lend-lease accounts and agreeing to some time consult about lowering tariffs and eliminating Imperial preferences in foreign trade.

When the discussions originated last summer the British press and the British negotiators frankly and honestly stated they didn't want a loan—they couldn't pay a loan—they wanted a grant-in-aid or another gift or at best an interest-free loan over a long period of time. Here is what they said:

Sidney Campbell, financial editor of Reuter's said in July:

"One thing should be made clear about the present discussions in the United States about a loan of three to five billion dollars to Britain. Britain would almost certainly refuse any such loan, however big it might be or however low the interest. They are rather mystified as to why Americans trouble to discuss the matter. A grant-in-aid would, of course, be accepted."

Lord Keynes, the principal British negotiator, frankly expressed their position. He arrived here in September and he told us he was here to make some kind of an arrangement about lend-lease, and about some way of helping England struggle out of her economic difficulties. But there was one thing he wanted to make plain to us. That was that Britain could not afford to make a commercial loan in this country. To quote him, he said:

"No doubt an easy course would be for you to offer, and for us to put our name to a substantial loan on more or less commercial terms, without either party to the transaction troubling to pay too much attention to the question of the likelihood of our being able to fulfill the obligations which we were undertaking.

"However, this may be—"

He said:

"We shall not lend ourselves to any such soft and deceptive expedient."

He continued:

"We are not in the mood, and we believe and hope that you are not in the mood, to repeat the experiences of last time's war debt. We would far rather do what we can to get on as best we can on any other lines which are open to us."

The New York "Times" commented at the time:

"Not only did he fear that the deception would probably have a very short life but it would be extremely shortsighted if the absence of friction and bad feeling between the two countries is one of the principal aims."

Nevertheless, our negotiators insisted they accept a loan of $3,750,000,000 at 1.62% interest over a 55-year period even though we will have to borrow this money from our American people at at least 2½% interest through the sale of additional bonds. The agreement provides that the interest from the British does not start for five years and then any time the United Kingdom decides that the exchange conditions are not favorable they can request a waiver and the United States must grant it. There is no provision that the American people will not have to pay the 2½% interest every year and the principal too in the event of a British default.

The British couldn't pay a four billion dollar debt after the last war. They tell us they can't pay it now. And still our negotiators insisted on calling it a loan and demanded that the British accept it as such.

Third:

I am opposed to it because I am confident that it will prove to be a gift and the language and form of the agreement is subterfuge to deceive the American people and to make it easier for those whose interests are largely concerned with foreign trade to secure its approval by the American Congress.

Fourth:

I am opposed to it because it is a part of several agreements, one of which wipes out our contribution of approximately 20 billion American dollars without securing a single additional Island Base for our Navy or Air Corps for our own protection and the peace of the World in the future —because we give up all surplus property and all construction and installations located in the United Kingdom without acquiring a single landing right on air ports created by American sacrifice, blood and money throughout the British Empire to aid our future civilian commerce as we struggle to pay the debt caused by our enormous contribution to the winning of the War throughout the World.

Fifth:

I am opposed to it because we are loaning it to the Government of Great Britain which presently is a Socialistic experiment in the hands of a party headed by Harold Laski who blithely denounces our form of government and economy at the very time when we are struggling to reconvert our all-out war effort to peacetime effort to sustain our system of private enterprise under a truly republican representative form of Government.

Sixth:

I am opposed to this gift of $4,000,000,000 of the American people's money under the guise of a loan that has no collateral—no security—to a socialistic experimenting form of Government, knowing full well that it is only the forerunner of additional huge loans to Russia—China—France—the Netherlands, etc. If we are going to try to establish peace in the world with unsecured loans or gifts of America's money we must treat all our allies alike.

Seventh:

I am opposed for I know that this does not meet the financial needs of Great Britain but is merely a stop-gap arrangement which we have forced upon them in connection with the other agreements that are presented with it. It will lead only to bad feeling and ill will between two former devoted and trusted allies in war and two great peoples who should always be the closest friends in Peace.

Mr. Winston Churchill, who so gallantly led the British Empire through the darkest hours of its history, opposed this loan and allied agreements and led his colleagues in abstaining from voting for them, saying on Dec. 12, 1945 in the House of Commons:

"It is a pity that we should have allowed a commercial loan agreement to be mixed up and linked up with other transactions." He said further:—

"Not only is there disappointment; there is deep misgiving as to what the consequences will be and also our ability, however hard we try, to discharge successfully the obligation imposed upon us."

I agree with him.

If we are going to forgive 20 billion dollars of lend-lease obligation let's do it on its own and secure some rights in bases, airports, also bought with the blood, sweat, tears and money of the American people.

If we are going to make commercial loans,—let us make them on sound commercial terms with collateral to secure them and under terms that will enable the borrower to both benefit and pay the obligation.

For the sake of good and friendly relations between our two countries and the sake of being honest with the American people—whose money we are giving away—this loan agreement should be defeated.

By PHILLIP D. REED

from them, and having converted most of her manufacturing plants to war production, she could not make payment by exporting manufactured goods in return. But this war-born debt is not the worst of Britain's trouble. The immediate problem is that it will take several years to reconvert and rebuild her peacetime manufacturing output to the point where she can pay currently with export for the raw materials, food, and other products she must import to live and function. Until the day comes when her exports equal her imports, Britain must somewhere find additional credit to fill the gap.

Now, if the United States does not furnish this credit, Britain will have one course, and only one open to her. She must go to the creditor countries I have mentioned and to a number of others with whom she normally trades and arrange with them to supply her essential imports against a promise to repay in the future. These countries cannot afford to lose the large amounts already owing them and will have to agree to continue supplying Britain's essential needs until she can rebuild her exports. Having comparatively few dollars and no dollar credits, Britain and her supplier countries would be able to buy very little from America and would be forced to deal almost exclusively with each other. The result is an economic bloc. Not only would the door be slammed to the sale of American products in this area, but one bloc leads to the creation of others — a dollar bloc and a Russian bloc, for example — which in turn would trade within themselves.

We all know that under such circumstances the international flow of goods would not be measured by demand and quality and price—the hallmarks of private enterprise—but by government decree based on political considerations. Again, as in the 1930's, the total volume of world trade would be drastically and tragically reduced with resulting loss of employment opportunity here at home. Governments would become the dominating factor in world trade and the free enterprise system would suffer another —and perhaps fatal—blow.

And so I say, if we refuse the loan to Britain, we will gravely risk partitioning the world into three or four politically controlled economic blocs, each battling for dominance and power, and thereby not only breed the germs of another war but seriously limit our opportunity both for jobs and better living standards. I leave it to you to decide what chance there would be in this atmosphere of struggle and suspicion to make a success of the United Nations Organization or to create an effective international control of the atomic bomb.

So much for what happens if we do not approve the loan. If we do approve it, Britain will not only buy from us, she will be financially able and has agreed to do a number of things which would avoid economic blocs and encourage the restoration of world trade on a free, multilateral basis. This means that goods would flow freely in response to customer demand and product value with a minimum of government interference. Under the proposed arrangement the pounds Britain would pay to other countries for current imports or in reduction of her debt would be freely exchangeable into dollars which these countries could spend for American goods if they so desire. In addition, sound, fair economic policies would be adopted and urged by us both in order that exploitation, provocation and discrimination by one country against another shall be outlawed.

Under these conditions international trade becomes a binder to keep the United Nations together. Under the scheme of economic blocs it becomes dynamite to blow them apart.

From what I have said you will see that the true purpose and effect of the loan is to arrest the trend toward nationalization and government control of international trade. It emphatically does not and could not assist other countries to nationalize their industries as is sometimes mistakenly asserted.

And finally, let me make it quite clear that the loan to Britain would by no means solve her fundamental economic problems. That can be done only through rehabilitation and modernization of her productive facilities on sound and efficient lines. The credit would, however, make it possible for Britain, the United States, and the rest of the world to attack their problems of economic reconstruction under conditions which are healthy for development of world trade and the preservation of world peace.

It is for us to decide whether we shall make the loan and set a world economic pattern designed to promote peace, jobs and progress, or refuse the loan and thus force Britain to take a long and dangerous step down a road that has always led to economic and military warfare. Remember that today's historians already have a name for the next conflict—they call it the Last World War.

By RUKEYSER

The top obligation of a good neighbor is candor. My friendly advice to the British is: STOP BEING FOOLED BY YOUR OWN PROPAGANDA, AND MAKE A START TOWARD GENUINE RECOVERY BY FACING THE REALITIES.

Under the old order, little England served as the industrial workshop for faraway colonies that concentrated on producing raw materials, which were swapped for British manufactured goods. That former trade balance has been upset by the growing ambition of each country to develop diversified national economies, embracing both industry and agriculture.

Pragmatic Britons during the Nineteen Thirties as part of an adjustment to changing conditions —wisely or unwisely—introduced Imperial Preference, under which member nations of the British Commonwealth enjoyed more favorable tariff rates than outside nations.

Now, however, as an inducement for the loan, we seek an implied promise from Britain to scrap such devices, and revert to free trade. Why we should ask a friendly ally to tie its own hands is not clear. Nor is it clear why, in the spirit of an international Good Time Charley, we should use a new type of dollar diplomacy to bribe a nation with a loan to embrace an economic theory. If this theory has merit, it should prove mutually beneficial. In that event, why should we pay the British to adopt a policy which our free traders contend is desirable for their own country?

We parents are admonished by child psychologists not to bribe children to eat spinach, but to appeal to their own self interest by pointing out what spinach did for the muscles of Popeye.

The real objection to the loan is that it is a stone in the larger mosaic of goofy economics which regards money manipulation as a cure-all. It is not to Britain's long-term interests for us to ladle out billions to enable that country to perpetuate existing abnormalities. Instead, Britain needs to put her economic house in order.

Rather than fatalistically accept the abnormal pressure for exports as unavoidable, the British should, by way of illustration, explore ways of getting relief through modifying the policy of importing so much of the food placed on the British family table.

After Britain takes inventory of its remaining natural resources in the form of coal, limestone, iron, etc., it may possibly decide that the island is over-populated, and that some emigration to the under-populated associated commonwealths, including Canada, is in order.

In curing Britain's sick industries, more than psychological escapism is needed. John L. Lewis recently told me that one average British miner, using archaic methods and tools, produces barely one-sixth as much coal per day as one American miner. The remedy lies in mechanization—modernization—not in begging the question and hanging up at the mine pits a banner reading "Socialism."

As a matter of fact, if our Government would desist from this adventure of its own in financial Socialism and instead let the United Kingdom finance itself in the open market through the offering of bonds to private investors, our British friends would be awakened to the realities by the discipline of the market. On the other hand, when our Treasury makes a proposed loan on incredibly "soft" terms, such as a 1.62% interest rate and a provision that interest be waived in years when the borrower finds it inconvenient to pay, the British Lords, nevertheless, rise up in protest against our Shylock tendencies.

And, finally, where did anyone get the idea that our EMPTY, DEBT BURDENED, Federal Treasury has a surplus to lend?

Bell & Beckwith to Admit Wm. Smith & G. M. Todd

TOLEDO, OHIO—William J. Smith and George M. Todd will be admitted to partnership in Bell & Beckwith, 519 Madison Avenue, members of the New York Stock Exchange, on Jan. 24.

J. J. Danzig Dies

Jerome J. Danzig died in San Francisco from a heart attack suffered after an illness of two and a half weeks. A former governor of the New York Stock Exchange, of which he had been a member for more than 47 years, he retired from active business five years ago. He began his career with the brokerage firm of Seuchatwanger & Co., later organizing Jerome J. Danzig & Co., of 100 Broadway, New York.

Wants Free Enterprise Accomplishments Cited

(Continued from page 245)

doctrines and beliefs, and these conflicts, are in turn the flowering of a cumulative lack of knowledge regarding economic truths.

"Since our leaders are confused and terribly inept in explaining their own economic confusion, is it any wonder that uncertainties, unrest, suspicion, and general lethargy is the residual matter that has flowed down to the great bulk of our people, and in an era when enlightenment was never a more desperately needed commodity, American management people have been capable of supplying nothing but hollow words and empty phrases, or, they have elected to pursue the naive course of ignoring the rushing, black waters of destruction already lapping at their feet.

"Specifically, I would like to direct your attention to the fact that a growing number of our American people have become active subscribers to the tenets and beliefs of statism—that they believe our economic destinies can best be preserved and augmented by government control of the processes of production and exchange. Another vociferous group, postulating the premise that private enterprise has failed to provide a good way of life for the bulk of our people, propose government ownership of all productive enterprises. Liberals, pseudo-liberals, academic busy-bodies, columnists, "enlightened" newspaper radio commentators and a galaxy of associated malcontents have seized the politician's stock in trade and are embarked upon the program of convincing the public that they are the saviors of the Nation. Their attacks on business and industry are based upon the ancient fallacious theory that business is something legitimately "illegitimate."

"These mounting, stormy, penetrating tirades against American free enterprise during the last decade, far from wearing themselves out, have prospered and won new converts, because American management people have failed to provide the true story of the glorious achievements of American free industry. Even today, the best we can wring from the malcontents is grudging acknowledgement *that perhaps* private enterprise has performed reasonably well in serving as the arsenal and pantry for most of the war torn universe.

"Actually, the herculean task that American business has performed since 1941 will probably be recorded as the greatest industrial achievement of all times, and were it not for the performances of American industry, there is good reason to believe that the bird of victory might be perched on the banners of our enemies....

"I do not think that the bulk of people who follow the false prophets are vicious—that they are intentionally embarked upon a program of destroying themselves—that they are creatures of some great revolutionary trend. I think they are misinformed. I don't believe that we are on the threshold of some Marxian revolt of the masses. I think that our people's minds have been temporarily captured by the false doctrines of economic charlatans and impractical dreamers who in turn have been assisted by the great fraternity of writers, radio commentators, newspaper columnists and political stuffed shirts, who have ventured into fields where they have no competence, but who can tell an engaging tale of economic utopia.

"I think the average American is inherently fair and when industry underwrites a program of education and enlightenment regarding the simple way we earn a living, the messiahs of revolution and change will quickly find themselves without audiences.

"Labor has always been suspicious of corporate forms of industrialism, and largely because corporation industry has failed adequately to tell their story, they have permitted the fictions and false doctrines respecting the contributions of corporations to our national economy and well-being, to flourish, grow, and exaggerate themselves.

"I think it is time to make simple explanations of what corporations are; how they came into existence; what they do in providing employment and better goods and services for all our people; how they are one of the principal sources for the collection of tax revenues; how they promote the best interests of all of us through the workings of a free competitive system; where their ownership lies; and finally, how they are the indisputable source of continued economic, financial, social and moral well-being for all of us.

"It is not enough for us to say these things, and to assume, once they have been said, that they will be understood and accepted. They must be said again and again. They must be said effectively in simple form so that everyone, no matter what his or her level of education or intelligence may be, will understand the effective role corporations play in supporting our type and concepts of a free enterprise system.

"We must make crystal clear basic truths like this:

"1. That the elements of all productive economies are contained in three understandable classifications: A. Raw Materials; B. Tools of Production; C. Human Energy.

"2. That corporations came into existence basically as institutions to provide more and better tools for the fabrication of raw materials through the use of human energy.

"3. Thus, the corporation is nothing, more or less than a consolidation of tools into a cooperative effort for the purpose of producing and exchanging more and better goods and services.

"We must tell our people that corporations are only trustees for the owners of the tools of production.

"That the owners of the tools of production are men and women, like you and me, who pooled their savings to create cooperative ventures. That these savings were used to buy land, buildings and tools and raw materials. That men and women were engaged to run the tools of production to fashion finished units that could be exchanged with customers. That savings, ranging from $5,000 to $50,000 per worker were necessary to provide a job for a single worker. That the person whose savings made possible the job is entitled to a reasonable and adequate return for his risk and contribution to the corporation. That whenever the saving-investor in a corporation fails to receive an adequate return or wage for the tools, he is being cheated, just as surely as though he failed to receive rent for use and occupancy of a house he might own. . . .

"It seems to me and I think my beliefs are well documented by the record, that every time our Nation is confronted with a national emergency, the advertising fraternity is the first agency that is called upon to explain that emergency, its perils and what we must do, in a united way, to overcome or defeat the condition of things that interrupts the orderly, peaceful way of life that we want for all our people.

"When our Nation became involved in wars, our retail merchandising fraternity was called upon to help underwrite a war advertising campaign. You used the existing media skillfully and, from an educational point of view, you accomplished an outstanding job of educating and bringing home to our people an awareness of the enemies we are fighting and what we must do to emerge victorious in these conflicts.

"Patiently and in understandable terms, you informed our Nation's people why we must buy War Bonds—why the Wacs—the Waves—the Seabees, the Merchant Marine the shipyards and certain war industries needed man and woman power—why the USO and associated agencies were worthy of our support. These and a multitude of similar campaigns have been your amazingly good contributions to our knowledge and literacy respecting wartime aims and objectives. American industry through the various sponsored types of campaigns, supplied our people with more basic information concerning our common dangers than all the professional and amateur literary and political propagandists could achieve in a lifetime.

"But now the passage of arms type of conflict ends—the shooting wars are over and there is likelihood that you will be pushed back or retire to those polite sanctums, far removed from the major economic battle, which in every respect will be as serious in its consequences and implications as were the military and naval engagements.

"But because of the amazing effective talents possessed by men in your profession, I suggest that there should be no peace for you—there should be no discharges—no G.I. Bill of Rights for you, until you, working in concert with American free industry, plot the battle plan, underwrite the strategy—enlist the common support—direct the attack, and in every contributory manner serve as the leaders in the war against economic illiteracy.

"I truly believe that men like you were created from a convincing pattern—that you are men of hard humility combined with active imaginations.

"But because of too much humility—or because you have permitted habits to harden into patterned doctrines—or because it is an unpardonable sin for you to venture into the economists' field—for whatever reasons—I can understand why you have not been challenged broadly up to the present to come to the rescue of a situation that is extremely desperate.

"But I believe, generally speaking, that you have a good, hard realization of the primary interests associated with all business. I believe that you accept the code of thinking that the interests of workers, management, owners and customers are inseparable—that one may not succeed at the expense of the other—that as good business is constituted today, no group of owners or managerial officials are embarked upon policies of human exploitations. I believe you know very well that our interests, our successes, our futures, are commonly and irrevocably linked to each other—and knowing this, that you will not permit ugly cynicism, ignorance, apathy, lack of knowledge, bureaucracy, alienism or rabble-rousing to successfully challenge or threaten a nation and a system, which despite its detractors, is still the bulwark of democracy and the warehouse for nations who would have gone down to ignominious defeat were it not for the workings of a free industrial system."

Dean McCarthy also is associated with the Bureau of Economic Research at the University of Notre Dame. his bureau was established in 1937 to prepare studies and reports on money, banking, taxation and other general economic subjects.

White, Weld Admits Four New Partners

White, Weld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that four new general partners have been admitted into the firm. They are David Weld, son of Francis M. Weld, a founder of the firm; Harold T. White, Jr., whose father has been a partner for 30 years; William C. Hammond Jr., and E. Jansen Hunt. William A. Barron Jr., a partner in the Boston office, has retired from the firm.

Mr. Weld, a graduate of Harvard University, started his financial career in 1935 with the Guaranty Trust Company of New York, working one year each in the bank's New York, London and Paris offices. He was associated with White, Weld & Co., from 1938 until 1942 when he joined the U. S. Army Air Corps as a combat intelligence officer, leaving the service with the rank of major.

Mr. White, also a graduate of Harvard, joined the research department of White, Weld in 1939. In 1942 he went to Washington as a member of the War Production Board and eight months later joined the United States Coast Guard Reserve. After more than a year in the service he was employed as an engineer by Raytheon Manufacturing Co., working on war contracts. He has been back with White, Weld since last September.

Mr. Hammond, a resident of Boston, has been associated with Loomis, Sayles & Co. for the last 10 years where he was engaged in research and in the handling of accounts. Early in the war he took a year's leave of absence to serve the War Department as executive assistant to the Chief of the Research and Development Branch, Military Planning Division, Office of the Quartermaster General. For seven years after his graduation from Yale and Harvard Business Schools he was associated with Lehman Brothers doing research for Lehman Corp.

Mr. Hunt has been with White, Weld & Co. for the last 14 years, becoming syndicate manager in 1933. In 1924 he became associated with the syndicate department of W. A. Harriman & Co. and later represented John Nickerson & Co. in New England and other sections of the country. A graduate of Columbia and Brown Universities, Mr. Hunt served as secretary of The Bond Club of New York in 1944-45.

Pat Spanier Joins Staff of Bennett, Spanier Co.

CHICAGO, ILL.—Pat R. Spanier has joined Bennett, Spanier & Co., 105 South La Salle Street, after an absence of four years in the armed service.

Inflation Psychology

(Continued from first page)

has the advantage of pointing out both essentials: the psychological nature of the phenomenon and its most significant aspect, the "relief" from inhibitions to spending. It results from mass-expectations which in turn arise from underlying circumstances present and prospective, leading from one buying spree to another.

Expectations are decisive, indeed, to explain such a paradoxical situation as that prevailing at present. The curious thing is that in the face of reduced national deficits, increasing labor supply, declining national income, and growing surpluses—*prices do not fall as they should*. There is little sign even of hesitation, to say nothing of the temporary "recession" that should accompany the reconversion. Stock quotations and real estate values indicate the opposite and do so with interruptions only few and far between waves of upturn. At any rate, deflationary forces are not permitted to hold sway.

Subdued Deflation

"Subdued Deflation," may be the best term to describe the current picture. With munitions production curtailed from $43 to $8 billions (annual rate), with national output and income down by about 20%, the 1,700,000 unemployed (early September) to rise to 6 millions or more, strikes further depleting the country's wage bill, with 15 to 20 million workers to be shifted around, with the forthcoming supply of fish, poultry, dairy products, tobacco, fruits, vegetables, cattle and feed ample, if not at record highs, to say nothing of surpluses in grain, cotton, copper, aluminum and governmental stores—it takes powerful forces to keep the depression from the door. But it is not merely the immediate situation that is loaded with deflationary potentialities. The longer outlook, too, is affected by psychological tendencies which should help to offset the impact of the vastly expanded monetary volume.

Price Fixing

In the first place, there is a wide-spread conviction that the authorities are able, and will be able to hold the line. This is in part a consequence of the fact that people lack the vision to see a price level greatly different from the one to which they are accustomed; partly a sequence to the apparent success of price-fixing during the war; and in part a reflection on the spread of the belief in the limitless wisdom and power of bureaucracy. Whatever its sources, the respect for and loyalty to governmental interference helps to keep price expectations on a par with the public's wishes.

This "ideology" operates as an anti-inflationary factor, but it is bound to turn out a very dangerous boomerang, even if the policy does not break down under the weight of its own clumsiness. The more successful the OPA is in keeping basic prices stable, the more it misleads the public to regard individual price increases as immaterial, making it rely on the fiction of a general stability. Moreover, the sheer bulk of the price-fixing job compels the authorities to leave luxury prices and other side-lines unregulated, with the result that the more the necessities are regimented, the stronger will be the ability and inclination to spend on "luxuries." In England, while every-day articles sell barely 40% above prewar, specialties command prices in legitimate markets up to ten times the peace-time level.

In other words, price-fixing accomplishes the elimination of what is called "speculative" price increases—increases not founded on the rise of costs. But the price to be paid for this accomplishment consists in quality deteriorations, mushrooming black markets, and demoralizing subterfuge practices. In effect, speculative tendencies merely are canalized into often highly undesirable directions. Inasmuch as price-fixing conflicts with rising costs, the result is not only a misguided allocation of productive resources, but the actual stoppage of production—with prices rising in a delayed fashion, but possibly more and longer than they would have without regimentation.

Full Production and Inflation

However, the assurance with which the public looks upon the future of the price level has deeper reasons than a mere reliance on the OPA. It has to do with a deep-seated belief in America's unlimited ability to produce. Just let us get going, the idea is, and we will produce so much and so cheaply that prices not only will not rise, but actually may fall, and at any rate, pretty soon all possible demand will be satisfied. The next step from here is to worry about a depression, supposedly to come after a comparatively short period of full employment.

This is the most vicious fallacy beclouding the economic thinking of this generation. It overlooks the time element; it ignores the effects of the industrial boom on wages and costs, and it takes no cognizance of the monetary side of the picture, with $200 billions excess cash savings, continued deficit spending, and threatening credit inflation, nor of the fantastic volume of pent-up demand of consumers and producers, both at home and abroad.

But this is not the place for analyzing the Full Production fallacy. The point is that it goes a long way to restrain spending and especially the willingness to pay higher prices. As a matter of fact, both ways of enhanced spending—buying more units and paying more for each—will come the more into action the more goods there will be available on the market (the more we progress on the way to Full Production). Conversely, it takes more spending and rising prices to bring about Full Production by providing it with the incentive of volume and price. That, indeed, is the curse of inflation: that its own "natural" cure, namely, a greatly accelerated *production necessitates more inflation*.

Apparent Exchange Stability

But coming back to the deflationary outlook and its components, two monetary angles of the present situation have to be pointed out which are helpful in restraining inflationary expectations.

One is the fact that foreign exchange rates appear stable. Rising quotations for foreign currencies (and gold) are the unfailing signals to invite higher prices for commodities. This signal is eliminated by the totalitarian device of controlling foreign exchanges which helps to maintain the fiction of an unfettered value of the currency. The fiction of exchange stability is maintained in the face of a gold price on the open market (abroad) as high as $70 per ounce in U. S. Currency through freezing foreign claims. The average citizen knows nothing of that, and relies on the 20 billion gold reserve, only half of which is really ours.

Another monetary factor at play in the direction of minimizing inflationary prospects consists in the technique of money creation itself. Only a fraction of the total volume of purchasing power that is being put into circulation consists of money in the tangible sense: of legal tender. The bulk consists of bank deposits or of short-term bonds. Deposits are recognized by economists as potential currency but not by the general public as yet. The monetary nature of government paper has been contested even by economists. At any rate, the popular idea of inflation being based on the conception of "money printing," the current inflation of our monetary system is obscured in the public's eyes by the device of substituting credit instruments in the place of printing legal tender. Needless to say that this obscuring process will come to an end; in the meantime, it helps to do the trick—but does it?

The revealing fact is, to repeat, that in the face of one of the fastest deflations in American history, if not *the* fastest, and in spite of all deflationary, or at least non-inflationary expectations, the trend is as bullish as it can be under the circumstances. Since the rapid decline of the national income began (end of Aug.):

Stocks and bonds are jerking upward, in the typical inflation-time abrupt manner; the net long-term rate has fallen below the all-time record low of 2%;

The bull market in farm and real estate values continues unabated; OPA ceilings are breaking up, one by one: low priced cotton goods to rise 25% to 40%, steel castings 11%, pulpwood cut $1 to $2 a cord, cheap furniture 4% to 20%, hard coal 5 cents to 65 cents a ton, steel by $2.50 or more a ton, butter by 18 cents a pound, etc.;

Uncontrolled prices have risen 100% and more;

Black market rackets harass the authorities in controlled articles, from second-hand cars to whiskeys and textiles;

Subterfuge markets develop to evade regulations, such as raising rents via forced sale of old furniture, etc.;

Consumers' demand is turning to higher quality and therefore to higher priced articles;

Inhibitions to consumers' spending are breaking down, as indicated by the last Christmas shopping which hit another all-time record in spite of shelves containing less goods and lower qualities;

The most important of all symptoms of discounting future rising prices is the determined demand of labor for greatly increased wages and the willingness of business to meet the demand if prices are permitted to be raised—indicating the conviction, not doubted apparently by anyone, that the public will be willing and able to pay substantially higher prices.

These are spectacular symptoms of the bulls' supremacy over the bears, under conditions most favorable to the latter. The copybook picture of the "business cycle" is being thoroughly distorted. Indeed, this is part of a different kind of process: of paper money inflation.

Britain Faces Peace

(Continued from page 244)

instinct of personal liberty; we're rather shy; we don't like showing our feelings—not that we haven't got any, in fact we're rather sensitive; we've got the sort of humor that makes us laugh at ourselves and makes us slow to anger; we sometimes find it difficult to talk about ourselves. We are so certain that truth will out that we often suffer for lack of a bit of self praise. No wonder we get misunderstood!

We were most misunderstood in Germany. The evidence at the Nuremberg Trial has shown how much. We were reluctant to declare war because we hate war. Hitler put it down to tiredness and lack of vitality. But looking back to the time when Britain, with the men from the British Commonwealth (that is Canada, Australia, New Zealand, South Africa—*and India*), the Colonial Empire, and many individuals from Ireland (and great fighters they are!) who had joined us when we were alone, we cannot but be proud now that it was our small fleet of fighter aircraft that in 1940 gave the enemy his first thorough beating, first turned the tide of war, and established our island as an Atlantic fortress. (In that small fleet we honor the young Americans of the Eagle Squadron of the R. A. F.) Without your help and without the help of Russia, civilization could not have hoped to avoid defeat; but our people are glad and proud to have been in the front of the battle and to have been the first after the gallant Poles to take up arms to save the world from Nazi domination.

Britain's War Sacrifices

Now what did the six long years of war mean in practical terms to the British people. You, too, felt its impact—and heavy it was—but we were in it before you and in the theatre of active operations and I don't think it entailed the same change in your way of life as it did in ours. Our total war effort measured in terms of population was the greatest of any nation. We prize above all things our personal liberty, but we even gave up much of that in the fight for freedom.

About one home in every three was damaged or totally destroyed by enemy bombardment. In the heavily bombed cities the proportion was, of course, much higher and in London, for example, it was the exception to escape damage. Over 60,000 civilians, men, women and children, were killed and over 86,000 badly injured. Out of 32,000,000 adults of working age more than two out of three either went into the services or were completely mobilized for war work. The other 10,000,000 were housewives, young children, invalids and so on, and all of those who could did some sort of part time voluntary war work. Three out of four British boys and girls from 14 to 17 years old were on vital war work, between 300,000 and 400,000 men and women were employed on whole time fire fighting, rescue, and similar work in air raids, and they were helped by over seven millions of part time Civil Defenders, which included firemen, fire guards, air raid wardens and the invaluable Women's Voluntary Services. Our $1\frac{3}{4}$ million strong Home Guard was a citizen army of part time soldiers and the hard training they went through was additional to their long hours of war work.

Like your American women, our women have done a magnificent job during the war. It has been no easy task for them to run their homes. Food has been limited and severely rationed. We have forgotten the taste of many of the foods we knew before the war. We're eating 25% less meat, 55% less butter, 35% less sugar than we did before the war. We rely more upon potatoes. We have to be very careful with milk and careful with the labor of men who deliver it. You can't choose or change your milkman in Britain. Women hate that! Orange juice is reserved for expectant mothers and young children.

The "Queues"

Shopping is no longer a pleasure. It is a work of great ingenuity and considerable physical effort. It often means standing for long periods in queues at the butcher's, the fishmonger's and other food shops and women are hard put to it to introduce some variety into the family menu.

We do not complain. We know that it is part of the price for victory and we accept it as such. We know that in many parts of liberated Europe conditions are a good deal worse. This is not a hard-luck story. It is my tribute to my own people and I am giving you these facts because I think it is important that we should understand one another and that it helps us to do so if we each know how the other is faring.

And now that the war is over victory has not yet made much difference to our lives. It was a tough fight for us and we had been "all out" for a long time. We had put all our riches, all our production, all our strength of men and women into winning the war. We had been doing without every possible thing we dared, cut home consumption to the bone, even gone without foods which before the war we had thought were essential. When peace came the only things we could put back were those which cost us practically nothing in labor or raw material or capital—things such as taking the black-out curtains from our windows, abolishing censorship and security regulations.

We are sincerely grateful to be relieved from the gnawing anxiety for husbands and sons who were away in the services. We are grateful, too, for being free from air raids and flying bombs and rockets; although we haven't properly got used to it and often have to think twice when an automobile in low gear makes a noise like a siren. We haven't really got used to having our street lights on again and we still can't afford to light shop windows at night or allow electricity to be used for advertising signs.

"Poor in Money"

When we had got our breath and checked up we found that the war had not only left us comparatively poor in terms of money. We had an appalling shortage of homes, thanks to having ceased building for six years and to the half million left useless after air raids. Neither could we get going on building homes or making clothes or even restoring normal health services until the men came home.

Then, to make matters worse, you must remember we live on what we buy from other countries, largely from North America. We have been big customers of yours, your biggest customer, and in normal times we have paid our bills by what we make and sell to other countries. To win the war, though, we deliberately sacrificed our overseas securities and our export trade, and before we could even buy the food we needed we should have to rebuild that export business. The dilemma we face, when we are turning our industries from war to peace and getting our men back to work, is how much energy and capital to devote to rebuilding our homes and putting back into our lives some of the decent amenities we have sacrificed and how much to restoring that export trade which is so vital to us.

This has been explained to the British people and they have cheerfully accepted the situation and made up their minds to a few more years of going without. There is very little grumbling and nobody is blamed except Hitler and Tojo. The grim life is accepted in much the same way as they accepted the grim possibility of invasion in 1940.

Of course, the circumstances are very different, but there is a considerable similarity between the spirit of the British people today and their spirit in 1940, after Dunkirk, when we stood alone with the Dominions, when

Britain was faced with the imminent danger of invasion, when we were gravely short of arms and when it was clear that it was only a matter of weeks or days before we should have to face ruthless air-raids.

I knew the cheerless facts at close quarters—first as Minister of Supply in Mr. Churchill's Government and then as Home Secretary and Minister of Home Security. One of my duties at the Home Office was to see that every aid was brought to the victims of enemy air-raids and to keep morale high. It was a heavy and trying time for all of us. London had 57 consecutive nights of air attacks and others as well. The provinces, Scotland, Wales, Northern Ireland had a rough time, too. Every evening when darkness fell it was highly probable that the air-raid sirens would wail and that attacks would continue until dawn. Everybody knew that that night might be their last or that they might suffer horrible injuries or that their homes and possessions might be destroyed.

How would the people take all this horror and anxiety? We couldn't be sure. We made the best provision we could for them and assumed that they would stand firm under cruel enemy bombardment by high explosive and fire. And so it was. They—with the police, the firemen and the Civil Defense Services—*did* stand firm. Firm even to the point, many of them, of pride in the very bombs against which they fought and up to which they stood. They became bomb proud. Here may I say how much we appreciated the aid which came to our people from the United States and Canada.

When I went to see the bombed areas and talked to the people in trouble, I said, "You are sticking it splendidly and your sticking it will be one of the factors in defeating the Luftwaffe. I think I know why you are so determined. It is because the risk of death, injury and a lost home is a better thing than the certainty of slavery and the destruction of all our free institutions if we were to buy off the air-raider by surrendering to the Nazis. That's it, isn't it?"

And the answer was: "Yes, that's right, Herbert. That's how we look at it. We can take it. And when we're stronger in the air we'll give it to the Jerrys, too—many times over." And it was so—Bomber Harris saw to that.

A New Order That Is "Tight and Annoying"

And now in January, 1946, this fine British people know that there must be order in their economic affairs, even though sometimes the order is tight and annoying.

That must be tolerated if the better times we are determined to achieve in a few years are to come. A pretty tight time now, so that later we can spread ourselves, branch out, blossom and expand. That also is being planned for.

Many of them remember the end of the 1914-18 war. The much too early scrapping of the economic controls, the "brighter London" period of hysterical illusion, profiteering, inflation and the short artificial boom, followed by the economic smash and depression from which we never really recovered in those miserable years between the wars. The British have no intention of repeating that silly business.

Well, that's how I think the British are looking at things—in the same determined spirit as they faced Dunkirk, the air-raids, and all that, and in accordance with our democratic tradition. They don't ask the United States to follow the British example—neither do I. We wouldn't presume to tell the United States how to conduct their economic affairs. I'm just explaining how our brains are working at this time so that you may understand how we're unwinding the war and winding up for peace and a sound prosperity and we are setting about this difficult job in a democratic way under a Government which I think is a very good cross-section of the people and many of whose members have themselves worked at the factory bench or the coal face, or like me, as an errand boy and shop assistant. And I am confident that British democracy is equal to the task.

People don't change their characters suddenly. The men and women who increased our munition output six-fold are still in our factories. The men who made the Mulberry Harbours and the Bailey Bridges are now at work on other kinds of building. The technicians and scientists who contributed jet propulsion, penicillin, radar and early atomic development to the Allied war effort are still at work in Britain.

From General Eisenhower and Marshal Tedder through the ranks, the comradeship of American and British soldiers, sailors and airmen has been welded under fire of battle. And the ordinary men and women and children of America and Britain who share a language, books and even films, have also shared a war and, now, a victory.

The spirit and strength of the British people will speed their recovery. On our national recovery rests to a great extent the recovery of Europe and the world. World trade and world peace and social progress will depend upon the good friendship and understanding between the ordinary peoples of the world.

We have come out of the war confident in our own powers, with faith in the future, with high hopes for the world, and with a strong affection for you, the people of America.

We were good allies. We got on well together. We both did all we could to help each other in war. We'll remain good friends and good allies in peace.

John H. Heminway to Be I. M. Simon Partner

John H. Heminway will acquire the New York Stock Exchange membership of Webster Tilton on Jan. 17, and will become a partner in I. M. Simon & Co., 315 North Fourth Street, St. Louis, Mo., members of the New York and St. Louis Stock Exchanges. Mr. Tilton will retire from partnership in the firm on the same date.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Strong rally eating into old 1929 lows. Further strength indicated as momentum increases, but buying now is indiscreet. Suggest waiting for dullness and reaction. Either or both will point to next move.

Ever since the strike news hit the front pages I warned that its market effect would be negligible. I emphasized the belief that the time the market shows any unsettlement in a labor-management dispute is during the preliminary stages, that is before a strike occurs. And that once the strike is on the market gives it only casual attention. I did, however, point out that a majority belief might affect the price structure, even if only temporarily. Yet despite this belief that strikes are not necessarily bearish, I wandered off the path and warned that in this case a widespread public belief that they would be bearish, would hurt the market. I know only too well that the market doesn't permit of muddled thinking. Its punishment is swift and only the fleet can escape it with minor damage.

* * *

To add to the confusion, this column is written after Monday's close or just after Tuesday's opening. This was the case last week. When I sat down to write last week's column I saw evidences of a turn. When this turn would blossom out into an actual advance was obviously impossible to say. But the signs were important enough to warrant re-entry on the long side.

* * *

I advised the purchase of four stocks at specific prices in the belief that the strike news would be enough to keep stocks from going up and give readers the chance to buy them. You know what happened. The column hadn't even reached the printers when the market turned up and was away to a new high. Obviously the prices I had given, while they were in effect at the time of writing, looked silly when you read them. To make it even sillier I made a ten point mistake in Waukesha Motors. I recommended it as a buy between 31½ and 32½ with a stop at 29. When I wrote it I must have been thinking of something else. For when it appeared in print the prices were 21½ and 22½, stop 19. Anybody who is familiar with the market must have realized it was a slip. But slip or not, the damage was done. In actual practice it made little difference for even if it had been printed correctly the general advance took it above the buy prices.

* * *

Now the question is no longer what, but when. The what is important during the begininng stages of a rally. The when comes to the fore when the rally gives signs of ending. I'll be frank and tell you that on the basis of current action the rally looks as if it will go still higher. But there is something more fundamental which may take hold and dominate intra-day action. This fundamental something goes back to 1929. Despite belief to the contrary there is still plenty of stock for sale at the old 1929 lows which started at approximately 197. Of course this figure doesn't represent the ultimate. It goes up about another 160 points. Whether or not the market is strong enough to take it all is something that needn't be determined now. But no market is so strong that it can take all of the offerings at the first flush. A buying momentum can take the first offerings with little trouble. Evidences of absorption of such offerings are seen in volume of sales. You saw that Saturday, Monday and you are seeing it today (Tuesday). I think the momentum will have run its first course by Thursday or Friday of this week.

* * *

Once the first burst of buying is accomplished the usual procedure is a dullness followed by some reaction. It is this reaction that becomes highly important. If stocks hold within a certain zone, with dullness increasing as they approach the lows of that zone, it can be assumed that main trend is still up. If certain stocks, usually the leaders, start eating into these lows, while secondary issues are still strong, the signs point to a breakdown. The final assay is still some time away. But it is definitive enough to warn against any new buying at this point.

* * *

Should, however, the stocks recommended last week become available before the next column appears I advise buying keeping in mind that the stops also are in effect.

* * *

For those not familiar with the list of last week's recommendations, I repeat: Buy Baldwin between 33-34, stop 31½. . . . Buy A. M. Byers between 24 and 25; stop 23. . . . Buy Flintkote between 35 and 36; stop 34. The last stock was Waukesha Motors which should be bought between 31½ and 32½, stop 29.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Wanted—A New Federal Policy on Utilities

(Continued from page 242)

crease of earnings is allocated ⅔ or more to the consumer and ⅓ or less to the investor.

3. **Equalize competition between privately-owned and publicly-owned utilities.** Especially equalize the tax burden.

4. **Let an impartial scientific body like the Brookings Institution or the Harvard School of Business** digest and coordinate the vast amount of material, which supports these recommendations, in the files of the SEC, in the briefs before the courts, and in the records of the utility companies.

5. **An outstanding committee of high-minded, disinterested, public-spirited citizens** should be appointed to bring a fresh and unprejudiced approach, and to present recommendations in the interest of the public.

III

What have been the effects of Public Utility Holding Company Act of 1935 and its administration?

A. **What have been the effects on the consumer?** The Act assumes that consumers are hurt by holding companies. But the facts show that they are benefited. The rates for the subsidiaries of the holding companies are lower than the country's average. The Public Utility Holding Company Act brought no benefits to the consumer. The SEC briefs never proved that the holding companies hurt the consumers or that the passage of the Act benefited the consumers.

B. **What has been the effect on the investor?** The "death-sentence" clause requires liquidation. Liquidation means sacrifice. Compulsory liquidation prevents realizing fair values. Abundant proof is availabe. Stocks of companies split from holding companies were sold to the investors at low prices, and thereafter rose sharply in value, benefiting new speculative purchasers and freezing the losses of hundreds of thousands of former owners, namely stockholders of the holding companies.

The "death-sentence" destroys the value of diversification and supervisory management. The large investor in his own person can realize these two benefits. The small stockholder cannot. If the SEC separates operating companies from the holding companies, the problem of access to cheap technical managerial service will become important. It is already a problem for municipal systems which rely upon intermittent consultation with private firms.

The losses to over a million stockholders run into billions. Depending on the index of share prices used, whether Standard Statistics, Dow-Jones, or the New York Stock Exchange, and depending on the interval, whether beginning in 1925 or 1930 or 1932, the loss, as of the summer of 1943, comparing utilities and industrials, varied from a conservative $3 billion to perhaps $6 billion. But on the London stock market, where no death-sentence clause affected utilities, the utility stocks moved proportionately with the industrial stocks.

"The order for dissolution *** is not an order against a holding company, but against its security holders." Security holders are chiefly small people. From 80 to 90% of the stockholders own less than 100 shares in a representative series of industrial railroad and utility companies.

Millions of stockholders are punished for the sins of a few speculators. These stockholders are innocent holders for value and are being punished by retroactive legislation. They bought when the practices now condemned were regarded as legal, both by the approval of State commissions or by the silence of Federal bodies.

The SEC is reorganizing solvent companies without the consent of the stockholders. The "reorganization" of solvent corporations is authorized by no law. It is based on fanciful interpretations. Have stockholders no rights? Can the SEC destroy contracts? Millions of American citizens are victims of the fantasies of the SEC staff.

C. **What has been the effect on the public?** The public was not benefited but hurt. The "death-sentence" clause checked utility expansion. From the years 1919 to 1932, including two panics, the average annual construction was above $650 million. For the normal period 1923 to 1927, it was $830 million. In the years 1934-5, when the utilities were under attack, new construction averaged $150 million per year. This decline of about $700 million was equivalent to a good-sized public works program.

The "death-sentence" clause caused a decline in the rate of growth of private generating capacity from an annual average of 5.7 million KW in the period of 1920-1933 to 1.6 million KW in the period 1934-1938. In the increase of generating capacity, the ratio of private to public expansion of capacity decreased from over 14 times from 1920-1923 to less than once from 1934-1938.

D. **The SEC in its administration has ignored the sensational increase of taxes on utilities.** The Federally-owned utility properties pay no Federal taxes. The municipal utility properties pay no taxes, either Federal or State or local. Yet since 1934 Federal taxes increased about $400 million. This is equivalent to an additional rate reduction of 15% by private companies only. The tax collector beat the SEC to rate reductions, but the SEC hasn't waked up yet.

In the Soviet Union, the Dnieprostroy Hydro-Electric plant pays a 40% corporation income tax to the government, but our TVA pays no Federal tax. Why must we out-Bolshevik the Bolsheviks?

Yet the Treasury lost revenue through SEC policy. Income taxes on dividends and interest of formerly privately-owned companies disappeared. Corporate income taxes are no longer paid by companies now publicly owned and therefore tax-exempt. The Treasury receives no individual income taxes on dividends that used to be paid, but payment of which was checked by SEC policy. The Treasury receives smaller inheritance taxes because of the collapse in the value of utility stocks in estates of decedents.

Who makes good this vacuum? The shrinkage in revenue is $120 millions, as conservatively estimated. This is equivalent to the amount paid by several million taxpayers in the lowest brackets. The income-tax payers in the lowest bracket are financing a cock-eyed SEC policy which is not integrated with fiscal policy.

Over 2,000,000 people in the lowest income tax brackets must pay revenue to the Treasury in order to furnish the cash with which the Federal Treasury subsidizes publicly-owned utilities.

Is it ethical to burden taxpayers in the lower brackets of income to benefit consumers of electric current who may be in the highest brackets? The tax-paying public is not aware of this injustice, but they are paying for it.

E. **SEC policy has fostered public ownership.** But since 1923 the trend toward public ownership has declined sharply. Since 1938, despite Federal aid, the trend against public ownership continues. In municipal elections the vote is running 2 to 1 against public ownership. Though municipal electrical utilities increased only 800,000 KW from 1938 to 1944, Federal power projects increased from 1.5 million to 5.8 million KW or 3.9 times.

The "death-sentence" is a step toward public ownership. Cases are numerous. Chairman R. W. Peterson, of the Wisconsin Public Service Commission, stated "Sales of utility property are practically limited to public agencies. Thus public ownership will be abetted."

The search for historical cost increases public ownership. The Securities and Exchange Commission is not authorized to set rates. So it uses the Federal Power Commission as part of its wrecking machinery. Ancient costs are used as a basis for exchange of securities under the "death-sentence" clause. Yet State commissions reject historical cost as a rate base. The Securities and Exchange Commission depresses prices of securities of private companies and then public companies buy the property and it looks like a rescue party. In Wall Street this is crooked tactics. Is it less so under government aegis?

Cities paying no Federal tax can outbid any private buyer for a utility splinter, chipped off from a holding company. They capitalize the tax savings. The property value set up on the books represents a huge "write-up" above cost. But the SEC connives at it. This write-up is then written down, by issuing tax-exempt bonds in payment and thus cheating the Treasury a second time. The taxpayer gets whip-sawed coming and going. But he does not know it yet. This scandal should be publicized by Congress.

F. **Administrators are legislating.** The Securities and Exchange Commission is writing laws. Congress sets no standards in the Act. The discretionary powers of the SEC are too broad. The administration of the Act shows a government not of laws, but of men. The SEC is not regulating, but is managing the utilities, without responsibility to the stockholders.

G. **The aim of the law was defeated and the SEC utility division may end its work.** If the SEC in pressing for disintegration succeeds in breaking up the systems into independent companies or even state-wide groups, then the SEC has worked itself out of a job. There will be no interstate holding companies left. Since some States do not regulate public utilities the intrastate companies will be without regulation. Apparently the SEC is indulging in day dreams or sleep-walking—administrative somnambulism.

H. **The British enacted a "death-sentence" clause in 1882.** Then Joe Chamberlain set up the goal of local ownership and local management, just as the Public Utility Holding Company Act of 1935 did. What was the result? Chamberlain's work was proven political poppycock and was undone after fifty-five years of error. In 1937 there were 826 companies supplying electricity in Great Britain — an area smaller than California. There was a complexity of voltages and other factors so that on the opposite side of many streets in London it was impossible to use the same vacuum cleaner, toaster or lamp. Villages near big cities were without service. "To end this chaos the government proposed to divide the country into thirty areas in which the existing companies would be consolidated."

Electric power was a bottleneck in the First World War. Thereafter, Royal Commissions denounced the resulting conditions as chaos. Britain lagged behind the United States in the KWH per capita; also in residential lighting costs and in capacity factor. A series of British electricity commissions studied American holding companies. American holding company officials were invited to testify. Are we going back to Joe Chamberlain in 1882?

IV

A. **The "death-sentence" clause is neither beneficial nor necessary.** The theory of the Securities and Exchange Commission is a fantasy. Supporting facts have not been presented. The "when and if" clauses have not been proven.

Holding company abuses did exist in the past. They have been corrected. To protect consumers, investors and public, holding companies need not be destroyed.

The weakness of the "death-sentence" clause is revealed in the inconsistencies, paradoxes, and conflicts in which it is entangled. In Section 30, Congress issued an order to the commission on integration. This is unconditional, unequivocal, and absolute. But Section 11, on disintegration, is conditional. Yet the SEC in administering the law flouts the absolute order of Congress on integration, and presses indiscriminately and unintelligently the contingent clause, without inquiring whether the conditions precedent justify disintegration.

B. **Integration is more urgent than disintegration.** But does the SEC integrate?

Under the Railway Act of 1921, the British consolidated 126 railroads into four, to the great benefit of the public. No element in Britain would return to the old chaos. The job was a brilliant performance in legislative conception and in cooperation between industry and government.

Securities of the old small British railroad companies were exchanged for those of the new large systems. The basis was earnings. The British ignored original capital investment, reproduction costs and other absurd conceptions which have been befuddling utility and railroad law in the United States for three generations. Earnings constituted the basis of amalgamation. Back in 1844 Gladstone used not cost, but 25 years' earnings as a basis for government purchase of the railroads. After an efficient railway system was established, regulation of British Railway rates in the Act of 1921 was based on a sliding scale. Of the increased profits, 80% was used to reduce the rates and 20% was to be added to the capital. "Few British railway men would care to return to the old regime."

Integration of British public utilities is planned. The move began in 1926 in the Electricity Supply Act. The Act of 1926 set up the "grid". This was an old device in the United States. British engineers came here to see how we did it.

C. **In 1935 the British government appointed a Committee on Electricity Distribution. The British committee recommended a plan of consolidation, but with government power of compulsion.** The country was to be divided into a limited number of districts. Municipal plants and private plants were to be merged into one system. Municipal companies were to be paid on the basis of physical assets, but private companies were to be compensated also for the loss of prospective profits for the life of the franchise. Earnings and rates of the consolidated system were to be based on a sliding scale of profit-sharing between consumer and investor, and were subject to revision. An advisory committee representing the utility companies was recommended to cooperate with the Electricity Commissioners. **In May, 1937, the Prime Minister recommended the compulsory consolidation of electric utilities.**

D. **The public utilities of the United States ought to be consolidated.** Under the law in Section 30 of the Act, Congress ordered the Securities and Exchange Commission to prepare an integration plan. But the SEC ignored this mandate for over 10 years. Should not Congress take note of this dereliction and defiance?

Yet, the utilities had already been partly integrated. In the early days of the industry, there were about 2,000 small power systems. By 1935, when the holding-company act was passed, the industry was concentrated in about a score of holding companies. Instead of improving and reforming the integration, the SEC has been disintegrating the industry and miscalling it integration.

The British "grid" is based on American experience. In the United States there are now a dozen "grids" already, of which several are larger than the British "grid". The idea was borrowed from the United States. The British came here to study it.

The United States has already integrated, on a nation-wide basis, one type of public-utility holding company, the American Telephone and Telegraph Company. It covers the entire country. It is the top holding company. Though its subsidiaries are now chiefly operating companies, they are also subholding companies having operating subsidiaries. The American Telephone and Telegraph Company also owns the Western Electric Company, a manufacturing subsidiary, which is partly a holding company owning 30 subsidiaries. Thus American Telephone and Telegraph is still a three-story holding company in part, though in the course of time it will eventually become a two-story holding company. The integrated Bell system operates 6,200 exchanges with 25 companies, but the independents operate 12,000 exchanges with 6,200 independent companies. There is no comparison whatsoever between these two types of telephone companies in efficiency, service to the consumer, safety to the investor and value to the public.

The United States has also another completely integrated public-utility holding company on a nation-wide basis, the Western Union Telegraph Company. A special law was passed to authorize this integration. It absorbed the Postal Telegraph Company. The Western Union, though chiefly an operating company, owns 538 telegraph corporations, of which 33 are still corporate entities. Its subsidiary, the American District Telegraph Company, is a holding company having operating subsidiaries. Therefore, in part, Western Union is a three-story holding company.

Why do we apply a different theory to a telephone utility, a telegraph utility, and to an electric power and light utility? Our telephone system is the most efficient in the world. Regional integration of holding companies in the electric power and light field would undoubtedly increase efficiency, lower costs to the consumer, increase safety for the investor, and better serve the public interest.

V

What must be done? The Act should be revised.

A. **It was drafted in an emotional atmosphere.** It followed exposure of shocking breach of trust in important quarters. Such malfeasance cannot recur under the law. The legislation was hasty. In four months a strait-jacket was put on an industry that had evolved over two generations. By contrast the investment trust legislation of the SEC took four years and is fair and constructive.

This law has not been revised for 10 years. The Interstate Commerce Act was revised 38 times in 56 years; the Civil Service Act, 62 times in 60 years, and the Federal Reserve Act 17 times in the first 10 years, and 51 times in 30 years. But the Public Utility Act has never been revised.

B. **Congress should promptly suspend Section 11, the disintegration clause** and order a thorough investigation of the fantastic theories and ruthless practices of the SEC in administering the 1935 Act.

The scientific analysis of Professor M. H. Waterman of the University of Michigan should be checked by an independent body of experts, like the Brookings Institution. If his facts are confirmed, the SEC administration is working in an unreal world. "We have been cock-sure of many things that are not so," says Jerome Frank in "The Law and the

Modern Mind." Prof. Fred Rodell, in his book "Woe Unto You Lawyers," stated that administration by Commission should be "brought before engineers or accountants who could apply the technical knowledge to an examination of facts and claims and make intelligent choice between them."

C. Congress should enforce Section 30 before Section 11. Section 30 remained unchanged in all the drafts of bills preceding the final draft, but Section 11 was changed frequently. Senator Wheeler urged integration gefore distintegration. He said "Holding companies are given five years to arrange their affairs their own way, and the Commission is directed to aid such arrangement on a voluntary basis". Representative Rayburn stated that Section 30 was "designed to promote information, to serve as a basis for reorganization," and stated clearly that integration was to precede disintegration.

Integration is implied in the wording throughout Section 11. Both Section 11(a) and Section 11(b) mention "an integrated public utility system."

Section 30, near the end, expresses the dominant note: **"The Commission is authorized and directed to make studies and investigations of public-utility companies;** upon the basis of such investigations and studies the **Commission shall make public from time to time its recommendations as to the type and size of geographically and economically integrated public-utility systems** which, having regard for the nature and character of the locality served, can best promote and harmonize the interests of the public, the investor, and the consumer."

The law is clear and unmistakable. How does the SEC defend its noncompliance? The law shows constructive statesmanship and the vision of regional integrated systems, benefiting the consumer and investor and the public. But, the SEC, in its administration shows only a lamentable lack of appreciation of this quality of the law.

Chairman Landis of the SEC stated in 1935, "Congress has given us two years *** to have a plan to bring about economic and geographic integration". Similar opinions were held by Chairman Douglas in 1939 and Basil Manly of the Federal Power Commission in September 1936. According to Mr. Manly, the present demand "calls for integration on a larger scale than has heretofore been effected in this or any other country".

The SEC's dereliction on Section 30 has brought confusion and chaos to the industry. No holding company knows whether its program under Section 11 will fit any pattern of integration which Congress intended and which the SEC was ordered to prepared.

Enforce Section 30 first, and Section 11 later. Section 30 became effective immediately in 1935, but Section 11(b)(1) was to be effective only after Jan. 1, 1938. But the SEC in its briefs says, "—even a preliminary study *** would take an indefinitely long time. *** The final task could not ever be completed."

In other words, the SEC tells the court that Congress didn't know what it was talking about in Section 30, whereunder "The commission is direction to make studies to determine sizes, types and locations of public utility companies". But Justin Whiting stated that "rearranging the power systems will not be done in a law suit but in a study by engineers and economists, with practical knowledge, patience, imagination and constructive spirit".

If Section 11 is enforced first, it will become impossible to enforce Section 30. Indeed Section 30 becomes invalid, for the Federal Government will lack the power to piece together the splinters and fragments of intra-state plants. But, if Section 30 is enforced first, then Section 11 becomes an effectives means of compelling recalcitrant holding companies to cooperate in integrating.

But if we effect regional integration into 12 or 16 regional holding company systems, we shall enjoy efficient management, lower costs, **acceleration** of rate reductions, and service to interspersed rural communities.

All first-tier holding companies would become regional or geographical systems, and would include, as in Britain, all public and private companies in the region. The second-tier holding companies could become investing companies, either specializing in utilities as in British, Swiss or French investment trusts, or else they might be required to reduce their utility holdings to some fixed percentage after several years. The new senior securities would be convertible into common stock and would disappear as the common stock rose. A simple capital structure would thus result.

D. We should scrap our policy of basing rates on asset values and adopt the British sliding scale. It originated in Great Britain in 1855. It worked well. It never was abandoned. It was always extended. It was adopted in Canada in 1887, and in more than half-a-dozen American cities.

Boston adopted the sliding scale in 1905. Louis D. Brandeis fought for the sliding scale and against municipal ownership. Did he ask what was the original cost, reproduction cost or yardstick cost? Did he complicate the question by details of valuation? No. He had the practical approach. If the rates to the consumer were reduced, the dividend to the stockholder could be raised. "The proper aim of the public must be not to limit dividends but to secure gas of good quality at low prices. A reasonable assurance of undisturbed enjoyment of large dividends might be the best method of attaining cheap gas. *** If the demand for municipal ownership can be stayed it will be by such wise legislation." ("Business—A Profession", pp. 108, 114.)

The sliding scale is a fruitful concept and merits investigation. It might solve many problems of government regulated industries, like railroads, utility, telephone, and would make rate fixing simpler, and stimulate efficiency and expansion. Our public service commissions approved the sliding scale in almost 100 decisions, because it rewarded good management and penalized inefficiency. No other system basing rates on costs of plant can do so.

E. Congress should reorganize Federal regulation of public utilities. The SEC deals with securities chiefly. Suppose in 1935 there were no ICC. Would any one think of putting railroad regulation under the SEC? Why should it regulate utilities? The task should be taken away from the SEC and vested in a separate Interstate Utilities Commission, corresponding to the Interstate Commerce Commission for the railroads. A separate utilities commission should be created which is utility-minded, rather than legalistically-minded. It should be staffed by engineers and managers, rather than by lawyers. The commissioners should be required to have public utility experience. The only lawyer on the Commission should be the general counsel.

F. A Federal advisory counsel of public utility executives should meet periodically with this commission, using the Federal Advisory Council of the Federal Reserve Board as a model.

G. Congress should tax all publicly owned utilities, municipal, city, or Federal. The reasons are many. The government needs revenue. Here is a new source of just and painless taxation. Competition should be equalized between public and private enterprise. The government yardstick plant is a fake yardstick. It should be made true.

VI

What is the obvious conclusion?

The utility industry is hamstrung, and the country is suffering because of an amazing complex of factors. Investors are unorganized and cannot effectively register a protest or compel action by the Government. The legislators are either too busy with international affairs and pressing problems of reconversion and transition, or else they are indifferent because they lack the facts. They should have the aid and advice of experts to make analyses and recommend legislation.

Superimposed on these two difficulties is a bureaucracy which is dogmatic instead of inquiring, cock-sure, instead of selfsearching, hungry for power and therefore making new law by interpretation instead of administering the law as Congress intended it. The least that the situation requires is a thorough-going investigation. Let us have the facts. An enlightened public opinion can then induce wise and sound policy.

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his mind bluntly runs the risk of being called alarmist, or of failing in his purpose. But a career of a quarter century which has forced my close attention to every cross current in international waters, forbids me silence at a time when plans are being prepared that may set the pattern of world development and behavior for many years to come.

Foreign Policy Confused

Much of the indifference toward overseas problems which exists in this country is due, I think, to ignorance of what our foreign policy is or should be. Not since Cordell Hull developed the Good Neighbor doctrine for this hemisphere — which Mr. Roosevelt merely proclaimed — has there been a simple, clear statement in the field of international relations that the average citizen of the United States could understand. The instant, nation-wide acceptance of the idea was a measure of the power of public opinion that can be stimulated by competent leadership in foreign affairs.

But official statements recently have tended to confuse, rather than clarify, and often are suspect of so-called "double talk." The news releases after the recent Moscow meeting of foreign ministers furnished an example. Satisfaction was expressed by State Department spokesmen over the fact that the Big Four had agreed henceforth to "act unanimously" on all questions at issue, which was merely another and more palatable way of saying that the veto power in the Security Council of the United Nations Organization had been confirmed against which the smaller countries represented at the San Francisco conference have waged a continuous but hopeless battle. Ambiguous expression has always inspired suspicion, and while reassuring words of successful negotiations between the Big Four came to us from Washington during the holidays, reports from other world capitals indicate much less optimism, and some fear that principle was sacrificed to expediency in attempting to regain the prestige we lost in the London meetings several months ago.

The fact is that neither we ourselves nor our friends overseas seem to know precisely what kind of peace Washington has blueprinted, if any. The United States reached the highest peak the world has known of leadership on V-J Day. It was an attainment made possible by "know-how," material might, singleness of purpose and devotion to ideals. But the cease-fire order had hardly sounded when we began the hesitation and side-stepping that has characterized our diplomatic dealings ever since. As a result, Russia suspects us of playing her against England, the British hint darkly that we plot Empire disintegration, there has been a near-scandal over our relations in China, France is sulky, and smaller nations stand appalled at our apparent abdication of supremacy.

UNO Meeting Clouded

It is in such an atmosphere that the first meeting of the Assembly of the United Nations Organization will be held in London beginning Jan. 10—this week. As if confusion regarding the role the United States will play there were not enough to cause uneasiness throughout the world, Russia's decision to send a delegation of secondary officials is concrete evidence to all who have learned to read the symbols of international communication, of her estimate of the results of the recent Moscow conference. The London meeting will open on a low note, unless the United States rises to the occasion and proclaims, preferably from Washington, a foreign policy statement that will reassert the leadership we have so nearly abandoned.

Such a statement would require rare political courage because it must deal with questions of which there is little understanding in this country, and whose disclosure would irk some of our friends overseas and their adherents here. But refusal to face and state our position on them now, only postpones their eventual solution, and meanwhile subjects us and the world to continued frictions that may lead again —and soon—to armed conflict. There are sore spots in many parts of the world that must be healed if we are to have real peace—the Near East, the eastern Mediterranean area, the Red Sea and Persian Gulf regions, India and the Far East, to mention some of them. We will never help to compose the differences that exist unless there is wide understanding of them in this country, and thus far the average citizen is aware of them only through the one-sided exhortation and half-truth of the agitator, if at all.

The Policy Toward China

The flare-up over our policy in China only last month is a case in point. Congressional clamor finally forced the President to make a public statement of our position. It had immediate and wide acceptance because it was specific. But even more happily, it served notice on China that further civil strife was useless, and the warring factions are now engaged in round-table conference to compose their differences, with General Marshall as their arbiter.

Are we to wait for crises in each of the controversies that loom? I had thought the period of dramatics had passed, and besides, we may soon run out of generals! Secretary Byrnes has announced that terms of peace are to be ready for public announcement by June 1st. Far better to state openly and in advance our position on problems that are in dispute than to risk disillusion which could easily turn again to isolation in the one country that is the hope of the world we like to envision. Irritated, one of our officials said recently "you can't conduct intricate negotiations in a goldfish bowl." Of course not, but my answer is that neither can you conduct them in a dark room and expect them to be blindly endorsed. That age has passed. An informed public opinion in the United States would be the most powerful force any statesman could muster at the peace table.

If I seem thus far rather to have emphasized the political aspects of our international dilemma before a group such as this, interested primarily in economic affairs, I hope you will realize that it is because the spectre of political disintegration dominates and overshadows economic reality in the minds of most thinking men today. Indeed, the race is waxing furious between state control forced by continued leftist tendencies in politics, and the enterprise system, which up to now has given the world whatever it has achieved of progress. Temporizing with the trend, compromising with totalitarian doctrine that hides behind the name of democracy, merely evades the issue. It does us little good to thunder at Argentina, while we permit our former allies in Europe to violate commitments in Iran with impunity. Our dereliction now will rise to plague us later. The people of the United States have no wish to interfere in the internal affairs of any country but their own, but equally, they have no intention of condoning the extension of fascism, whether of the Hitler or the Lenin variety.

In sharp contrast to the pusillanimous attitude we have displayed in the world political sphere is the understanding and resolution officials at a lower level have shown in their approach to our international economic problems. There are many of them, but by undertaking a solution first of the most difficult and intricate—our position vis-a-vis the British and the Empire—we have done much to break the log jam of world trade. Some day, I hope, the country, and particularly business men, will realize how great a debt we owe to Will Clayton, Assistant Secretary of State, and his associates for negotiating an agreement with England against tremendous odds. Those of you who closely followed the many meetings that were necessary to compose the various points at issue, know that if it had not been for Will Clayton's vision, patience, perseverance and patent honesty of purpose, there could have been no agreement and the economic foundation for a world divided into rigid political alliances would have been laid.

Make no mistake about it, Will Clayton is a very great man in a world that fairly groans for leadership. It is a tragedy, I think, that he is one of those whom Washington considers to be "politically unavailable" for higher responsibility. His talents are sorely needed in the wider fields of general foreign relations.

The hesitation with which the British Parliament and public accepted the final terms of the proposed loan and agreement has temporarily muffled the British-baiters in this country, but when Congress begins its debate we may expect a resurgence of bitterness that will be concerned more with prejudice than with constructive criticism. Politicians in England displayed unusual forbearance in discussing terms in the agreement that will be as hard for Britain to fulfill as they are easy for our critics to condemn. I confess some doubt as to British ability to comply with all of the conditions for which the measure provides within the time limit set, but wholesome respect for the willingness to try.

One of the most significant provisions in the agreement, and the one that will get least attention, perhaps, in the forthcoming debates, deals with a partnership between the United States and Britain formed to tear down barriers which have been built in recent decades to interfere with the easy flow of commerce between nations. One of the most effective of these bulwarks has been the so-called "Sterling Area" which the British conceived first as a counter-measure to our former high tariff policy, and later extended during the war years, to

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protect English and Empire finance. The Sterling Area conception threatened seriously to stifle our trade with many countries not included in the British Commonwealth of Nations in various parts of the world—Norway, Sweden, Denmark, Holland, Argentina, India, Egypt and others. Britain, by accepting the agreement, not only undertakes to open the Sterling Area to our trade again, but has agreed to work with us in eliminating similar barriers elsewhere, a concession that transcends all of the other stipulations of the document in tangible and potential benefit to either country, in my opinion.

In return for this concession and numerous others, we agree to extend a line of credit to Britain, rather than a loan, and to a settlement of all outstanding Lend-Lease transactions on a lump-sum basis; a small price, it seems to me, to pay for the opportunity to plan a period of prosperity such as this country has never yet known. The question is not whether we paid too much or received too little in the deal, but rather whether we have the will and the ability to obtain our share of the benefits that the agreement can bring about.

Already there is planned for early spring a meeting with twelve additional nations which will be asked to subscribe to the principles of the Anglo-United States agreement. Having that, Mr. Clayton will enter the first meeting of the International Trade Organization of the United Nations Economic and Social Council in June with a program to which all other nations must subscribe, if they wish to share in the upsurge of world rehabilitation and development.

Implicit in Britain's approval of the agreement was her adherence to the Bretton Woods organization, over which there has been considerable controversy. My own fears regarding the plan are chiefly concerned with its management, not its objectives. Washington has produced in recent years so many foreign trade "experts" whose qualifications exclude any experience above the country, or township level, that I do not wonder at the doubts many of our bankers have expressed. Treasury, Commerce, Agriculture and other department announcements bristle with new names whose owners are assigned to functions other nations would delegate only to those who have been tried and proven. If there must be a place for political proteges, let it be in fields where they will not be forced to improvise when the experts hesitate.

A sufficient number of nations now have signified their adherence to the Bretton Woods Fund to assure its establishment. Russia is a conspicuous exception thus far, doubtless because she wishes to use her seeming intransigeance as an additional possible bargaining point in future credit negotiations, though her excuse is that she needs time for further study. Properly managed, the Bretton Woods plan, together with the development of the British-American agreement, can eliminate many of the economic evils that have bedevilled the world during the past decade, particularly in the stabilization of exchanges, and as a brake on currency depreciation. The dollar will become the monetary standard of world finance, occupying the position which the pound sterling maintained for a century after the Napoleonic wars, and the United States will become the greatest financial agent the world has ever known.

Inevitably our international economic stature — figuratively that of a giant among pygmies— carries with it political responsibilities. I have long had the conviction that we are permitting ourselves as a nation to be placed in the same unenviable position that we found ourselves after the first world war. Others then proposed peace terms, and having none prepared ourselves excepting a nebulous "14 points," capable of various interpretations, we were at a distinct disadvantage. Eventually we found ourselves universally blamed for the failure of the peace treaty that was written.

The fact is that America has no choice but to assume leadership in world affairs. For the weight of our influence will be felt by other nations no less whether our attitude be positive or negative. And the cost to us of any international obligation which we might undertake must, in all fairness, be weighed against the equally real cost to us of dealing with measures that others may take to protect themselves against the results of our non-participation.

We have tended in the past to approach international commitments timidly, fearful that we might be outwitted in a world battle of wits. And in so doing, we have too often ceded to others the initiative of suggestion, leaving to ourselves the thankless task of accepting or rejecting what they demand of us. Our greatest bargaining weakness stems from the fact that other nations, by contrast feeble in potential power, know what they want and are able to mobilize all their strength to achieve it.

This year, 1946, doubtless will be one of the most fateful in the history of the United States. Before it is ended we will surely see the outline of the kind of world our children will live in. Conscious of our power, military and financial, dare we refrain from expressing our views openly and in plain terms, so that all may know where we stand, and take warning? The timid protest no such statement is possible. That I deny. The National Foreign Trade Council, composed of nearly a thousand members engaged in export and import, large and small, whose officers represent every shade of political opinion that is not crimson, has endorsed unanimously the following set of foreign policy principles:

1. The purpose of the foreign policy of the United States, in the whole broad field of our international relations, is to assure our security and well-being as a nation and to preserve the integrity of our institutions.
2. The purpose of our foreign economic policy, as a vital factor in these international relations, is to fortify and implement our foreign policy, and to encourage, in the process, the development of an optimum flow of foreign trade.
3. The purpose of our foreign trade itself is to bring benefit to the people of the United States through an increased production, interchange and consumption of useful goods and services.
4. The well-being of the United States is bound up inextricably with the well-being of the world as a whole. This well-being—in fact the preservation of the very foundations of our civilization—demands an enduring structure of international peace and security. The basis upon which such a structure can most surely be built is the achievement everywhere of the higher living standards to which all men aspire.
5. Increased production of useful goods and services is the first requisite to a high level of employment and consumption, upon which a higher living standard depends. The attainment of a higher living standard can come only from hard and unremitting toil by the people themselves who are seeking it.
6. Living standards in different lands will vary widely with the ability to achieve such increased production through effective utilization of the resources and techniques available. To the extent that adequate resources and techniques are lacking, the people of any land will attain their maximum living standard only if they supplement their own productivity by drawing upon the productivity of others. This recourse to advantageous utilization of the productivity of other lands is the basis and justification for all international trade.
7. The pursuit of foreign trade policies consistent with these economic realities is in the enlightened self-interest of the United States. An international trading system free of uneconomic restrictions, unhampered by the crippling limitations of bilateral trade or barter, and guaranteeing access on non-discriminatory terms to raw materials and markets everywhere, provides the most effective means for enabling each nation to achieve an advantageous exchange of its own products for the products of others. Such a multilateral trading system is inherent in the concept of free, competitive enterprise.
8. Mutual benefit is the motivating force that underlies all trade. Recognition of this mutuality of benefit demands recognition also of the benefits conferred upon our own economy by both imports and exports. Imports, supplementing our own resources and productivity, enrich our economy with the fruits of the labors of others; exports provide an outlet for the surpluses of our farms and factories, and enable other countries to benefit from our productive efficiency, thus enriching their own economies. Both imports and exports create employment and profits; they are tangible evidence of the availability everywhere of the "good bargains" which the skills of men can produce.
9. The only theoretical limit upon the importation of the products of other lands for the use and enjoyment of the American consumer is our ability to pay for these products with our own goods and services. As a practical consideration, however, it is necessary, in our import practice, to safeguard our national defense and to avoid too rapid a displacement of any of our own productive facilities which may be inefficient. The only theoretical limit upon the volume of exports to be sought is our ability to secure payment for them; but we must give account, in the transference of these fruits of our productivity to other lands, to the conservation of our own resources and substance.
10. Our status as an international creditor since the First World War has demanded, as the basis for an advantageous exchange of our goods and services for the goods and services of others, an excess of imports over exports. This excess has not been attained, and in the years immediately ahead we cannot hope to attain it, in view of the widespread destruction of productive facilities abroad and the time required for their rehabilitation. Even though our usage of foreign service continues large, and our tourist expenditures increase greatly, this unbalanced condition will continue until, over the longer term, the trend is reversed through a vastly stimulated importation of both raw materials and fabricated products.
11. America's participation in international trade, on a mutually beneficial basis, necessarily involves more than the exchange of exports for imports. If the productivity of other lands is to be rapidly expanded, thus increasing the benefits we derive from the exchange of our products for theirs, our participation will involve, inevitably, the projection abroad of American capital, techniques, and management.
12. The projection of capital will have the immediate effect of inducing a further increase in our exports. While this will militate against an early reversal of our export balance, it progressively increases the need for a greater volume of imports to service the newly created obligations. Experience has demonstrated that dependence upon long-term loans and investments as a device to balance a chronic import deficiency is uneconomic, since all too frequently the capital invested is lost. The investment of American capital abroad can be justified only if it facilitates increased production of useful goods and services, and only if we in the United States are able and willing to accept a portion of this increased production for the servicing and repayment of the loans and investments made.
13. The motivating force behind all private loans and investments is the creditor's expectation that he will receive an adequate return in his own currency. Loans are made only if there appears to be a reasonable prospect for their immediate servicing and eventual repayment. Equity investments, involving the projection of capital abroad for continuing use and productivity, are also based on the investor's expectation of obtaining a reasonable return over the years.
14. These principles, under normal conditions, apply with equal force to government loans and credits. Deviations from these principles in the period of world reconstruction ahead, whether in the form of loans or outright gifts so labeled, can benefit the United States only if they serve the purposes of national security, or if they constructively promote world order and stability by increasing productivity and opening up the channels of international trade.
15. An expanding world economy demands, in addition to an abundant flow of goods and services among nations, a free and unrestricted flow of capital and earnings internationally. This can only occur with the elimination of currency blocs, exchange controls, multiple currency practices, barter, and the other artificial restrictions which make the international transfer of funds unduly difficult or costly.
16. The foreign economic policy of the United States, as the medium through which the government exerts an influence on the conduct of American foreign trade, embraces the responsibility for safeguarding and protecting the interests of American enterprise abroad through every political and economic means at the government's disposal. This responsibility lies in the area of assuring the safety and security of foreign investment against confiscation or discrimination in any form; it lies in the area of seeking the stimulation of American exports through efforts to secure the elimination of barriers against American goods; and it lies in the area of providing conditions which will make possible the receipt of an adequate volume of goods and services in return for our exports of goods and capital.
17. Our foreign trade, like our domestic trade, can best be carried on under a system of free, private, competitive enterprise within a framework of government law and treaty designed to give it encouragement and support. The intervention of the American government in the regulation of foreign trade—as for example in the imposition of tariffs, the conservation of natural resources and the prevention of abuses arising from American participation in private international agreements—can have its only justification in the service of the national interest, as distinct from any sectional interest or the interest of any individual industry. The actual entry of the government into foreign trade activity, including the extension of the loans and credits and participation in international commodity agreements, is admissible only in time of war or other international emergency, or when considerations of national policy in the political or economic sphere outweigh the advantages of private trade and the freedom of the market place.

In seeking fulfillment of the wants and desires of the American people through a more abundant foreign commerce, it is inevitable that we shall be confronted, in many lands, with national economic concepts different from our own. These differences will bring conflicts and difficulties which must be faced, and faced courageously, in the years that lie ahead. It is in the cherished tradition of the American people that we hold to the principles that have made our nation great, and that, as individuals and as a nation, we be guided by these principles in solving the problems that lie before us.

There can be no substitute, in the pursuit of the ends we have in view, for the initiative and resourcefulness of the tens of thousands of individual enterprisers who go out in the world to find the materials and the markets the American people need.

A similiar statement of principles of foreign policy from the national political viewpoint, proclaimed by the President and implemented by our representatives at the United Nations meetings, would go far to check the wave of pessimism and near-despair that has settled over much of the world. More, it would end the improvisation with which our foreign relations now seem to be conducted, and serve as reassurance that the ideals we expressed when we needed friends, have not been abandoned.

Scheffmeyer Partners

Scheffmeyer & Co., 26 Broadway, New York City, members of the New York Stock Exchange, will admit John Rutz and Robert Moody McKinney as general partners, and Elizabeth A. Scheffmeyer as a limited partner on Jan. 24.

Montgomery Scott Admits

PHILADELPHIA, PA. — Montgomery, Scott & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges, will admit Frank M. Hardt to partnership on Feb. 1.

Wanted: Revival of Science of Government

(Continued from page 249)
on Aug. 6 the atomic bomb was dropped, revealing that science had made a further new and amazing advance.

Government — the science of government—has not kept pace. The science of government needs new answers.

I present to you tonight a plea. Who is better fitted than the members of the Bar, by education, by training, and by experience to play a major part in that search for the new answers, for the advances in the science of government of free men?

It will involve formation of committees on many of the additional special problems by members of the profession through the years. It will require many hours of time and of thought.

The American Bar Association and its members have already made very significant contributions in this matter. I wish tonight to pay a very earnest tribute to your President, David Simmons, for his constructive and intelligent contributions to the United Nations Conference at San Francisco as your representative among the consultants of the American delegation. He remained there personally for many weeks and took a continuing, alert and intelligent interest in the entire proceedings. His advice was broad and constructive. He was indeed a worthy representative of the American Bar on that historic occasion of the San Francisco United Nations Conference. That tyypically Texan direct and forthright manner was very effective in world-wide problems, just as it is in domestic problems.

Associated with Mr. Simmons, Mr. Gregory and Mr. Carroll, and Judge Ransom and Judge Hudson, also made very significant contributions. And your Section of International Cooperation and Comparative Law has been outstanding in its consideration of many of these new and vital questions.

In considering further some of the domestic matters that need new answers, I want to say first that we all recognized that with the limitations of the United Nations Charter which was drafted, we also knew the importance of making a start. We knew that banding together the United Nations as a continuing organization for peace, with the right objectives, was of fundamental importance. We realized that the first priority must be that of making this start, rather than of seeking too much and failing to start at all. And now as we see the fact that with the rapid development of this United Nations Organization, so that we can look forward just to the 10th of January a few days off, to the actual beginning of the first assembly, we recognize that the United Nations Charter and the United Nations Organization is truly a star of hope amid the clouds of the postwar period.

Problem of Slum Clearance

Taking up briefly some of the domestic aspects of these problems that require new answers, I should like to emphasize that it is difficult to believe that a country that has the industrial ingenuity and the skill of workmanship that America has should have so many of its people living in unfit housing and in slums in our great cities, and that we should have such an extreme deficiency in housing at this time.

A preliminary examination would seem to indicate that one of the real difficulties is that the very desirable separate ownership of each individual tract of land in our cities makes a redevelopment of blighted areas by private capital almost impossible. The process of original development of beautiful suburban areas and cities by enterprising capital and ingenious promotion is well known. With the exception of some very recent and significant experiments at one of the large insurance companies, there has been almost a total lack of redevelopment on any comparable basis to the original development of our cities.

Is that a clue to a possible new answer? Should Government acquire large tracts in our blighted areas, contract for clearing them, establish a plan for modern highways and playgrounds and facilities, and then make these tracts available at a reasonable price for redevelopment by private capital and enterprise in a manner comparable to the original development of the cities of America?

We also find that many of our cities have archaic ordinances that prevent home building and general construction from taking advantage of the advances in sanitation, fire protection, and in other facilities. Through these ordinances city governments of generations ago are handicapping the homes of the generations of tomorrow. Is there not a need for the drafting and preparation of a modern model building ordinance for the congested cities of America?

Some unions have rules which handicap the efficient construction of homes in large numbers, thereby depriving their fellow workers of the better living conditions. Can we find a new answer that will fairly place limitations on the type of restrictive rule that management and labor will be permitted to apply?

Everyone agrees that housing is one of our primary social and economic problems. The partial solution of them will have a major effect upon the health of our economy and upon the health and living standards and stability of our people. It needs high priority consideration on a broad basis by leadership such as the American Bar can furnish.

The basic facts are there. We have the productive ability, we have the raw materials, we have the skill of workmanship. We join in confidence that America can find the way, in keeping with the basic American system of a free economy, of building homes in quantities for the people.

Industrial Strife

The current scene of industrial strife and the very grave effect which continued major stoppages of production, particularly if they spread to the steel industry or other basic industries, can have upon our entire economy and upon the standards of living of our people, clearly indicate the need of new answers in the field of labor relations.

The failure of the Labor-Management Conference, and the natural human limitations when one is too close to a problem, make it clear that we need the intervention of thinking on behalf of the people as a whole.

We need new answers. Obviously, these should be new answers which maintain the great strength of the American system with its free workmen, its private capital, and its individual enterprise. It would appear that one of the major problems is to provide the legal and governmental background for the development and maintenance of strong, sound, responsible labor unions, under able leadership, keenly interested in the welfare of America, and at the same time maintain high productivity, good profits, and develop increasingly constructive industrial leadership which never loses sight of the human relationships of the employer and the employee.

We need a fresh examination of the legal ramifications that are involved in labor relations, of the maintenance of membership and union shop clauses, their weaknesses, and their strengths, to find the basis on which unions can with confidence be stable, constructive, democratic, responsible and strong.

It would appear that a tribunal should be developed to decide jurisdictional disputes. There is now no really effective way to decide a jurisdictional clash between unions over the representation of a group of employees, except either their own decree or the clash of economic strife. There is every indication of an increasing amount of jurisdictional strife between unions in the years ahead. The strike is not a suitable weapon for a struggle between unions over their jurisdiction when no economic problem is involved with management.

Dynamic and Stable Economy

There are other far-reaching problems of a domestic nature, which need initiative and analysis for their solution. We all know that the dynamics of our free economy has been its great asset, but that also these dynamics are a source of a considerable amount of instability and of fluctuation. The tendency in times of high production and high employment is for credit conditions to become more generous, for taxes to be reduced, because the money is coming in easily, and for other stimulating effects to multiply. Then, on the other hand, when employment and production begin to drop, there is a tendency for credit to tighten up, interest rates to rise, taxes to increase in rate, and other depressing effects to appear.

We need an analysis of those methods which can be used to reduce this instability and the wideness of this fluctuation while retaining the basic dynamics of the competitive American free economy.

It is in the analysis of problems of this kind upon the domestic scene that, as I see it, the great provision of the law, represented, implemented, stimulated through the great American Bar Association, can be of tremendous service in the years ahead.

Government, the government of free people, never has been static at the time that it has made its great contributions to the world. It has been stimulating, it has been finding new answers, but finding them consistently with the basic liberties and rights and freedoms of the people who are served by that government.

That study of the problems, the members of the Bar, by their training and their viewpoint, and their whole wide range of observation are so exceedingly well fitted to provide the kind of approach that is so needed as we face the new problems that arise from the developments of the sciences in other respects, in the domestic field.

Worldwide Problems

As to the worldwide problems, the need of developing new mechanisms is too obvious to need discussion at length, and you have shown such an awareness to it in the whole work of your Section on International Relations and Comparative Law, you have carried forward a splendid program of information to the people in this respect. We recognize full well, of course, we are not talking entirely about two separate problems when we speak about the world problem and the domestic. They are so closely intertwined that a healthy American economy can reflect and be of significance through the world, and in the converse, things that happen in the world now reflect so quickly back into America.

We have made a very significant start in the United Nations Charter toward these developments, but everyone recognizes that the United Nations Charter is only a first step. It needs development. It needs strengthening. It needs revision. The search for the manner in which the control of atomic energy could best be exercised is an urgent necessity. Many other international problems need high priority consideration. These include the methods by which a truly international police force might be established and supervised.

The essential jurisdictions over worldwide air travel could be initiated. Multilateral world trade with nations under state capitalism can be increased. Dependent peoples might make steady progress, and raw materials would be equitably available. All these need answers which will not unwisely infringe to too great an extent a burden upon the existing national and governmental structure. Each should be the subject of alert and continuous study.

I should like to see a committee of the American Bar Association visit the other major countries of the world promptly, now that the war is over. I should like to see its members spend a month in Russia, in exchange for a similar committee of Russian jurists spending a month in this country. I should like to see a fresh analysis of the systems of jurisprudence used in various parts of the world determine the paths by which the various judicial codes might meet in a United Nations code for specific, basic human rights.

And how much there is a need for an emphasis upon the importance of basic human rights in the world of today and of tomorrow, for, as we look back upon the tragic beginnings of this war, we recognize that it did not start when Hitler first marched across the borders of the adjoining countries. The war really started when Hitler began to crush the human rights of the people within his own borders.

We need the searching, sympathetic, earnest approach to the other nations of the world as to the route by which we can agree on the specific statements of basic human rights.

The United Nations Charter has a splendid statement in it on the broad bases of the objectives of the advance of freedoms and human rights. What is needed is reaching to the point where you can describe in language such as you find in laws and statutes around the world the worldwide agreement that the rights of every man and woman and child under whatsoever flag he or she might be found shall be respected, and to seek throughout the world an understanding of the background of history and of economic conditions, and of geographic position from which each nation thinks and acts—seek those definite laws and rules and mechanisms of government which must be established, based upon the good faith of the peoples of the world, if we are to have peace and progress in the common welfare.

The committee of the most eminent lawyers of the land should give continuing study and attention to the methods by which this government on the world level might be evolved and developed. in keeping with the problems of the atomic age.

I should like to see thousands of members of the legal profession continue to contribute constantly in their own communities to informing the people of the nature of the problems and focusing their attention upon the means of solution, as I am sure you join with me in a very great confidence in the decisions of the people of America when they are well informed and have an opportunity to express those decisions.

I plead with you tonight that to an increasing measure the American Bar give the type of leadership in the years ahead that the lawyer gave to the community in the early period of our history. The very Constitution and form of government which has had this tremendous value to us, and to the world, was a new answer, drawn, to be sure, from various studies and precedents, but yet definitely new.

It can well be said that the most precious jewel of all the world is a new idea in political science for the better government of free men. My plea to you tonight is that to an increasing measure you engage in the search for these precious jewels for the benefit of the people.

No other group can bring to the search and study a better background of knowledge, more of constructive disinterest, more of a tradition of service, more of essential stability than the American Bar. Your thanks for finding these new answers will come from all mankind.

Individuals Hold $181 Billion of Liquid Assets

(Continued from page 253)
holdings by individuals, liquid assets held by other non-bank investors — insurance companies, mutual savings banks, corporations, associations, and governmental accounts — also reached new peaks at the end of 1945. Altogether, non-bank investors now own $296 billion of liquid assets. This is an increase of $214 billion over the total held six years ago —an increase related directly to the large wartime Federal deficit.

During the last six years, the Federal Government spent $365 billion in all, or a little over 35% of the aggregate expenditures made by everybody in the country. In the same period, Federal taxes brought in $156 billion, thus covering about ⅖ of Federal expenditures. This corresponded to about 15% of the equivalent gross income flow arising out of aggregate expenditures in the country. As a result the Federal Government had a deficit of $209 billion, equal to about 20% of the gross income flow, while everyone else as a group had equivalent liquid savings. It was this large volume of liquid savings which was responsible almost entirely for the $214 billion increase in liquid assets during the last six years.

About two-thirds of this $214 billion went into Federal securities, while the remainder was placed in commercial bank accounts and currency. It could not be expected that all of the $214 billion would have been invested in Federal securities, nor would that have been desirable. A large part of the wartime increase in money savings represented either a legitimate expansion of business working capital or an expression of a positive savings preference by individuals, rather than a temporary accumulation of funds to be spent at the first opportunity. To the extent that these money savings were genuine savings, they did not encourage inflationary pressures even though they were not invested in Federal securities.

To Head Curb Div. For Veterans Fund

Frank E. Herma of 120 Greenwich Street, New York City, has accepted the chairmanship of the New York Curb Exchange division for the National Service Fund of the Disabled American Veterans, according to Charles Shipman Payson, chairman of the board of Refined Syrups and Sugars, Inc., who is the Fund Chairman. Edwin Posner, President of the New York Curb Exchange, will serve as honorary chairman.

Through its National Service Fund, with headquarters at 41 East 42nd Street, New York City, the DAV is conducting a national campaign for $10,000,000.

Sees "Coasting" On Tax Refunds

(Continued from page 253)

'public utilities,' such as electric light and power, communications and rail transport, which, through rate-fixing by the Government, are regulated in the public interest."

Mr. Evans pointed out that "although no excess-profits tax is payable for taxable years which begin after Dec. 31, 1945, Congress deemed it advisable, after careful consideration, to retain that part of the excess profits tax relating to the carry-back of the unused excess profits credit, for one year beyond the repeal date (Jan. 1, 1946) of the excess profits tax. This makes it possible for a corporation to carry back such a credit arising this year. The carry-back would have to be applied first to 1944 operations and then the balance, if any, to 1945. Accordingly, any corporation in such a situation would be able to reduce the amount of its excess profits tax for those two past years and get a refund after 1946.

"This provision," he added, "will benefit many corporations which have a high average base period net income for the excess profits tax. However, larger refunds will be obtained by those corporations which have increased their base period profits by reconstructing their earnings in accordance with the relief provisions of Section 722 of the tax laws.

"There are a number of potential cases wherein abuse of the provision may result or may be encountered," Mr. Evans explained, and added: "Despite the fact that organized labor's leaders claim corporations can make more money by not producing or manufacturing, because they can carry back their unused excess profits credit in 1946, we know that this is absolutely fallacious. It is hardly conceivable that any corporation executives, who are responsible to stockholders and directors, and the public interest, would ever try to make money, assuming it could be done, by 'tax-coasting' or relying solely on excess profits tax refunds resulting from carry-backs. After all, the primary objective of a corporation is to produce goods at a profit. Consequently, no legitimate corporation would jeopardize its good-will, its markets, its consumer relations, etc.,—all the things that form the basis of advertising—for a few tax refund dollars. This is especially true of the well-established and well-entrenched corporations which have been serving the public for years.

"Potential abuses might arise in the case of smaller, younger, lesser-known, or closely-owned corporations. For example, let's assume that a corporation, up to the beginning of the war, was doing a small volume of business, but which during the war increased its activity many-fold. Its profits skyrocketed, as did the compensation paid to its officers. Along came V-J Day and, the corporation's war contracts having been terminated, the officers decided to reconvert. The reconversion costs and losses incurred during the balance of 1945 were deductible from 1945 incomes, and as a result the corporation's taxes for last year were sharply reduced. However, let's assume the officers favor 'tax-coasting' now, or banking on the refund of excess profits taxes. They are merely trying to make up their minds whether to reconvert to their pre-war activities or whether to take on new lines. If they coast along for a good part of 1946 about their reconversion plans, and draw salaries at unreasonably high levels, based on the lack of, or reduced activity, of the corporation's facilities, they may, as the law now stands, get a refund of excess profits taxes paid in 1944 or 1945,

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The Economic and Moral Aspects of "Disclosure"

(Continued from page 243)

not by any accurate measure, but by the **higgling and bargaining of the market**, according to that sort of rough equality, which, though not exact, is sufficient for carrying on the business of common life."

What does the "higgling and bargaining of the market" mean?

It means, that under competitive conditions in a free market, buyers and sellers, each respectively and individually, seek to sell or buy at a price which will give each the greatest profit in exchange. It means that buyers as against sellers, and vice versa, must keep each other in ignorance of their respective strategic positions. It means, therefore, that neither buyer nor seller should in any way disclose his respective position with reference to the exchange to the other, so that the seller should not know what is the highest price that the buyer will pay, or, contrariwise, the buyer should not know what is the lowest price at which the seller would be willing to part with the article or property under negotiation.

Of course, each participant in the bargaining process seeks, through "higgling," to obtain this knowledge from the other. If the knowledge is made available to one or the other of the participants in every bargain, there would be fewer exchange transactions and the whole fabric of competitive markets and "fair prices" would disappear.

Why would competitive markets disappear?

The reason is plain!

There cannot be a free market if a buyer has the advantage of knowing that the seller is pressed to sell, and, therefore, will accept a lower price than normally, and, vice versa, the seller, if he is informed that the buyer's position is such that he is willing or obliged to buy, he would, in view of the situation, demand a higher price. Under such conditions, there would not be at the same time and in each bargain both "willing buyers" and "willing sellers." There would be no equality of knowledge or of ignorance, which puts both parties in a "bargaining position." Thus, there is nothing that creates what economists call "a normal equilibrium of demand and supply factors" through which a market price, or a "natural" price is established.

The judicial authorities of this and other countries have frequently defined the concept of "fair price" as "that price which a 'willing buyer' would pay to a 'willing seller.'" This means that not only must there be no coercion of any nature on either party to close the bargain, but also that each party in the transaction used no means or had no knowledge of a condition that places the other party in a position of "unwillingness" or of duress, economic or legal, which forces him to close the transaction at the terms agreed upon.

Now, let us apply this situation to the "Full Disclosure Rule"!

If a seller is forced to disclose to a prospective buyer the price at which he acquired the property he offers for sale, and consequently, informs him of his profit margin, he is placing himself in a disadvantageous position. He is furnishing strategic information, which will weaken his bargaining powers. The psychology of the buyer will be such, under the circumstances, **that he will hold off, until he acquires the property not at a price he is willing to pay under competitive conditions, but at a price at which the seller can afford to sell.** It would mean a constant narrowing of the profit margin. The "higgling and bargaining," by means of which equitable market prices are established, would disappear. And this applies equally to buyers and sellers as separate groups as well as to single transactions between a buyer and a seller. If dealers as a group are forced to disclose their relative positions to their customers or to each other in making trades, they, as a whole, are placed at a disadvantage in bargaining.

II.

The recent decision in the Oxford Company Case is an indication that, in connection with clear cases of fraud, embezzlement and unfair dealings of certain securities firms, the SEC is intent by subterfuge to apply its "Full Disclosure" philosophy. Though, as has been pointed out, the decision was in no way directly connected with this principle, there is a statement in its text which attempts to deny the status of a "dealer" to any security firm which sells securities that it does not have in its possession as owner at the time of the transaction. Thus, the opinion states:

"It appears from the evidence in this case that respondent solicited from its customers orders to purchase specifically recommended securities when it knew that upon receipt of such orders it would have to go out into the market to obtain the securities in order to be able to fill the orders.

"It has been urged that, under such circumstances, the firm was free to act as a dealer. This argument cannot stand when realistically viewed and tested against the provisions of the Exchange Act. Section 3 (a) (4) defines the term 'broker' as 'any person engaged in the business of effecting transactions in securities for the account of others. . . .' A firm which makes a purchase to fill an order solicited by it when it knew it did not have the securities on hand is making that purchase for its customers—in fact and within the meaning of the Act. Such a transaction is, therefore, a brokerage transaction under the statute, and it is a brokerage transaction apart from the fact that the particular customer may be (as was true in this case) especially reliant on the firm by reason of particular trust, confidence, or infirmity. Under these circumstances the firm must fulfill the obligations of brokerage in the transaction; among other things, to refrain from acting adversely, to refrain from taking secret profits, to make the best deal for the customer at the best price obtainable, and to confirm as agent making specific disclosure of the amount of its remuneration. In transactions such as we have outlined the firm placed itself in a brokerage position and it could not choose to act otherwise. Nor could it relieve itself of the necessity under the statute of acting as a broker by sending a confirmation as a purported 'principal.' The decision initially made by the firm to recommend the purchase of a security which it did not own was a voluntary decision which committed the firm to the role of brokerage. That role could not be changed without explicit and informed consent in each case prior to the completion of the transaction or explicit and informed ratification afterwards and nonaction of the customer upon the receipt of a principal confirmation did not, in our opinion, constitute such ratification."

It is apparent that under the circumstances described, the SEC is attempting to place a broker's status on all dealers in which they, as sellers, offer wares not immediately held in stock. Here, again, the Commission is tearing rough-shod into traditions and practices that have existed in almost every field of merchandising for centuries past. It is still the custom in many lines to contract to buy or to sell without the property being in the possession of either party. The responsibility of the dealer is not lessened, but rather enhanced in such transactions, and certainly, where he takes the risk of being required to fulfil contracts made, he should not be placed in the status of a broker, and limited to a broker's commission. A broker is assumed to take no risk, except for the account and at the expense of his principal. But a security dealer, who sells securities and finds that he does not have them "on his shelves," undertakes an extra hazard in being required to "shop" for them, for he is obligated to fulfil his contract to deliver to his customer. If the theory of the SEC is followed out in other fields, as, for example, foreign exchange, it will destroy the whole trading mechanism of an international business. Imagine, limiting a bank or a foreign exchange house to selling exchange only when they happen to have it on hand! If this situation existed, foreign exchange transactions would be greatly restricted in scope and usefulness. The important function of speculative exchange transactions in stabilizing exchange values would no longer be effective.

The SEC seems to ignore the fact that the function of modern merchandising is not merely delivering through sales goods and commodities on hand. This is a very primitive concept of merchandising, the "market place" idea. Modern merchandising consists in making purchase and sales contracts and offsetting these transactions, one against the other. These contracts are generally carried into the future. A sugar refiner will contract to sell his product months in advance of its manufacture, a shoe manufacturer takes orders for shoes, before he even has the raw materials on hand. Why, then, should not a security dealer, if it is in line with the custom and practice in his trade, sell securities for future delivery even though he has them not on hand, but contemplates obtaining them through the normal course of trade? As long as he is assuming the risk of fulfiling a contract, he has the status of a dealer, whether the securities are obtainable readily or with difficulty.

III.

It cannot be doubted that the ultimate effect of "disclosure to customers" would simply be a means of restricting profits. It would amount to nothing more in the end than the regulation of the "profit margin." The margin would tend to become fixed, and would be narrowed to the lowest point that the strongest and most resourceful could or would be willing to carry on the trade. This would result in withdrawal of more and more traders and dealers from the field and a trend toward monopoly. It would confine the business to the few, the strong and the mighty. Competition has a tendency normally to do this, and it is for this reason that

curbs on competition, such as established under the Clayton Act, the Federal Trade Commission Act and other fair practices laws, have been evoked to prevent monopolistic conditions arising from destructive underselling.

Here, again, we have the testimony of the keen reasoning of Adam Smith! In discussing the necessity of including dealers' profits as a component of the market price, he remarked that unless the dealer's goods "yield him a profit, they do not repay him what they may properly be said to have really cost him," and he adds:

"Though the price which leaves this profit is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time, **at least where there is perfect liberty or where he may change his trade as often as he pleases."**

Thus, the disastrous implications of "full disclosure," arising out of its tendency to limit profits, is that it portends a withdrawal of many dealers from the market. This, in turn, **portends a trend toward concentration and monopoly in the field of securities marketing.**

One does not have to search far for proof of this! The present price controls imposed by wartime conditions, it is well known, have driven many small manufacturers and dealers out of business, despite the lip service and blandishment given to the importance of small business in maintaining our democracy. There is yet to be announced a leading producer or dealer that has given up operations because of price controls. But, in the squeeze between costs and ceiling prices, thousands of small concerns have succumbed. The large concerns can afford to continue to operate, and they gain through the disappearance of smaller competitors. Thus, the post-war outlook for "big business" is strengthened, and all the deliberations of Congressional committees and all the promises and schemes of New Dealers of the Wallace type will not change the situation, if they persist in curbing free enterprise by increasing and intensifying governmental regimentation and control, price fixing, profit restrictions, and full disclosure rules in bargaining. All this certainly does not promote or encourage the undertaking of business risks by "the little fellow." But it may permit, strong, well fortified, and well financed concerns to continue operations under conditions generally imposed, and, through no fault of their own, by the destruction of smaller competitors, to assume a monopolistic position in their respective industries.

IV.

Turning to the moral aspects of the "full disclosure" philosophy, there is no valid ethical basis for singling out the securities dealer and inflicting upon him a status akin to that of a criminal profession. Like other traders, he is already amenable to the common law prohibitions against fraud, deceit, corruption and other unfair trade practices. The fact that, in individual cases he may make large profits or strike a good bargain now and then, which is common and permissible in all business transactions, should not brand him as an unconscionable person.

The morals of trade have been studied by philosophers, economists and theologians for centuries, but the right to a profit and the desire for pecuniary gain have not been condemned, but have been almost universally upheld. An eminent British philosopher, Henry Sidgwick, an authority a generation ago on Ethics, as well as on Economics, wrote a treatise on "Political Economy," largely from the ethical viewpoint. He concluded this massive work with an elaborate dissertation on the morals of "free exchange." His discussion of this topic covers the matter we are dealing with so well that we quote the following extensive excerpt from his work:

"It is admitted that, generally speaking, any 'really free' exchange of commodities which the exchangers have a right to dispose of is legitimate and should be held valid, and that 'real freedom' excludes, (1) fraud, and (2) undue influence; but how are we to define these latter terms? Is **A** justified in taking any advantage that the law allows him (1) of the ignorance and (2) of the distress of **B**—supposing that **A** is not himself the cause either of the ignorance or of the distress? If not, to what extent is he justified in taking such advantage? In the answers that thoughtful persons would give to these questions we may, I think, trace the influence of economic considerations, limiting the play of the natural or moral sentiments of sincerity and sympathy.

"To begin with the case of ignorance: we should not blame **A** for having in a negotiation with a stranger **B**, taken advantage of **B's** ignorance of facts known to himself, **provided that A's superior knowledge had been obtained by a legitimate use of diligence and foresight, which B might have used with equal success.** We should praise **A** for magnanimity if he forbore such advantage: but we should not blame him for taking it, even if the bargain that **B** was thus led to make were positively injurious to the latter, supposing that the injury would otherwise have fallen on **A**, so that there is only a transfer and not an increase of damage. For instance, we should not blame a man for selling in open market the shares of a bank that he believed was going to break, if his belief was founded, not on information privately obtained from one of the partners, but on his own observations of the bank's public acts or on the judgment of other experienced outsiders. Again if a man has discovered a legitimate use of geological knowledge and skill, that there is probably a valuable mine on a piece of land owned by a stranger, reasonable persons would not blame him for keeping the discovery secret until he had bought the land at its market value. **And what prevents us from censuring in this and similar cases is, I conceive, a more or less conscious apprehension of the indefinite loss to the wealth of the community that is likely to result from any effective social restrictions on the free pursuit and exercise of knowledge of this kind.** Such use of special and concealed knowledge is only censured by thoughtful men, either (1) when it is for some particular reason against the public interest—as (e. g.) if members of a cabinet were to turn their foresight of political events to account on the Stock Exchange; or (2) when the person using it has obtained it in some way having a taint of illegitimacy—as by betrayal of confidence, intrusion into privacy, etc.; or (3) when the person of whom advantage is taken is thought to have some claim on the other beyond that of an ordinary stranger.

"Let us now consider the question that arises when we try to define the moral coercion or undue pressure that renders a contract unfair: viz. How far **A** may legitimately take advantage of the urgent need of **B** to raise the price of a commodity sold to the latter, supposing that he is in no way responsible for this urgent need? The question is one, I think, of considerable practical perplexity to ordinary minds; and it requires some care in distinction and analysis of cases to give even a tolerably satisfactory answer to it. In the first place, where **B** is under the pressure of exceptional and sudden emergency, in which **A** has a special opportunity of rendering assistance, while the need is so urgent that there is no room for competition to operate, it seems certain that **A** would be generally blamed for exacting for his service the full price which it is **B's** interest to pay: and this would not only be true in cases of danger to life or health, where humanity seems more obviously to dictate unbargained assistance, but even where it is a mere question of saving property. For instance we should consider it extortionate in a boatman, who happened to be the only man able to save valuable works of art from being lost in a river, to demand for his services a reward manifestly beyond their normal price: that is, beyond the price which, under ordinary circumstances, competition would determine at that time and place. Still, it is by no means clear that such extortion is 'contrary to the principles of Political Economy' as ordinarily understood. **Economists assume in their scientific discussions—frequently with more or less implied approval of the conduct assumed—that every enlightened person will try to sell his commodity in the dearest market: and the dearest market is, ceteris paribus, wherever the need for such commodity is greatest.** If, therefore, the need of a single individual is specially great, why should not the price demanded from him rise proportionately? It appears to me that it is just at this point that there is a palpable divergence between the mere abstract exposition of the results of natural liberty which deductive economic science professes to give, and the general justification of natural liberty which Political Economy is traditionally held to include, and upon which its practical influence largely depends. **Enlightened self-interest, under the circumstances supposed, will prompt a man to ask as much as he can get: but in the argument that shows the play of self-interest to lead to just and expedient results it is assumed that open competition will prevent any individual from raising his price materially above what is required for a due reduction of the demand.** The price as thus determined competitively in an ideal market presents itself as the **fair** and—generally speaking—morally **right** price, because it is obviously an economic gain that the supply of any commodity should be transferred to the persons who value it most and prima facie just that all suppliers of similar commodities should be paid the same. In exacting as much as this, the self-interest of the seller seems to be working as a necessary factor in the realization of the economic harmony of society: but any further exaction which an accidental absence of competition may render possible shows egoism anarchical and discordant, and therefore, no longer under the aegis of economic morality." (Henry Sidgwick, "The Principles of Political Economy," London, 1887, pp. 586-8.)

And thus it is, that, viewed from its moral as well as its economic aspects, private bargaining and transactions involving exchanges of goods and services under competitive conditions require no enforcement of a full disclosure rule in the purchase and sale of securities, and, any imposition of a restriction of this nature would overturn the foundations and revolutionize established traditions of trade and commerce.

Sees "Coasting" On Tax Refunds

(Continued from page 274)

or both years. It is just this abuse that Congress is most worried about. Similar abuses may follow from 'war-baby' corporations which decide to have the tax refunds carry them through 1946."

"Because Congress has been severely criticized in the past for its inactions, insofar as particular tax avoidance provisions are concerned, it will, more than ever, be cautious and inclined to enact tax laws which prevent benefits from accruing to corporations which abuse the law," Mr. Evans declared, and added:

"It would be advisable for such corporations to get busy immediately and enter bona-fide production or manufacturing. Unless this is done, serious and far-reaching consequences may ensue."

Mr. Evans explained that tax refunds will be available to all industries that suffer legitimate business losses in 1946, and industries that had paid excess profits taxes during the war, if they show a smaller profit in 1946 than that averaged from 1936 through 1939. "Thus it is conceivable," Mr. Evans declared, "that the U. S. Treasury actually will issue refund checks to offset losses that business corporations might suffer through strikes in 1946.

"This possibility stems from a complicated provision of the Federal income tax law, applicable only to corporations, known as the 'carry-back.' All corporations had some credit against the wartime excess profits tax, and only earnings above that credit were subject to this heavy levy. This provision of the corporate income tax further provided that if all of the excess profits credit was not needed in one year, the unused portion could be carried back and added to the credit of a prior year. This, of course, would reduce the amount of tax already paid in the earlier year, necessitating refund by the Treasury. The 'carry-back' provision applies to 1945 income, even though the excess profits tax itself expired at the beginning of this year.

"The purpose of the carry-back," Mr. Evans explained, "is two-fold: (1) to level off the heavy wartime tax burden, and (2) to compensate corporations for any extraordinary expenses incurred while reconverting to peacetime production. Fundamentally," he added, "this provision was designed both to meet unusual expenses and to speed production, but as a matter of fact, technically there is nothing to prevent such tax refunds from cushioning corporate losses sustained as a result of strikes. In addition, actual operating losses can be carried back and refunds claimed."

Mr. Evans reminded his professional audience that Federal corporate tax refunds totaling $1,000,000,000 have been officially forecast "as the potential result of unused excess profits credits and loss carry-backs in 1946, even with a fairly favorable business climate.

"If labor disputes during 1946 should spoil that climate," the speaker added, "carry-back refunds might be substantially greater."

H. G. Kuch Co. Will Open in Philadelphia

PHILADELPHIA, PA. — Harry G. Kuch is forming H. G. Kuch & Co. to engage in a securities business from offices in the Widener Building. Mr. Kuch has been serving as an officer in the U. S. Army from 1942 to the present time. Prior thereto he was a partner in Marvin & Co.

The Outlook for Railroad Bonds

(Continued from page 254)

Space or time will not permit the furnishing of the data for all railroads; hence a few selected roads are exhibited:

TABLE I

	Ton Mile (bins.)	No. of Emps.	Aver. Mile Oper.	Locos.	Frt. Cars	Ton Mi. per Empl.	Average Annual Payroll per Empl.	Total Payroll (000's Omitted)	Ratio Total Payroll to Oper. Exp.
Bost. & Me.									
1929	2.993	20,662	2,078	784	11,922	144,800	$1,716	$35,447	59.6%
1943	4.811	14,810	1,821	485	7,395	325,000	2,491	36,903	60.8
C. B. & Qncy.									
1929	12.873	43,961	9,373	1,575	66,101	292,800	$1,669	$73,392	65.7%
1943	18.960	31,286	9,029	1,030	48,050	606,000	2,319	72,561	58.7
C. RI. & Pac.									
1929	9.917	38,109	8,110	1,453	47,111	260,000	$1,787	$68,136	62.7%
1943	14.126	24,515	7,756	836	32,195	576,000	2,425	59,487	56.6
C. No. West.									
1929	8.903	45,358	8,465	1,805	72,427	196,200	$1,772	$80,379	69.7%
1943	11.428	26,898	8,101	1,140	47,383	424,800	2,427	65,298	59.3
Erie									
1929	10.770	33,994	2,316	1,125	46,008	316,800	$1,838	$62,469	63.9%
1943	15.968	24,288	2,243	774	25,984	657,400	2,500	60,682	58.2
Ill. Cent.									
1929	15.467	54,618	6,721	1,762	65,829	283,200	$1,654	$90,355	64.8%
1943	24.641	41,239	6,338	1,407	50,077	597,500	2,202	90,809	56.8
Lehigh Valley									
1929	5.144	18,081	1,362	725	27,732	284,500	$1,896	$34,272	64.0%
1943	8.491	13,717	1,260	400	17,154	619,000	2,565	35,193	57.5

The showing for all the carriers is somewhat the same; in other words, Railroad Management HAS offset the steady rise in wages by increased efficiency—thereby requiring less manpower and keeping the influence of wages upon operating expenses within narrowly fluctuating confines.

It is evident that the public, as a whole, as yet has not given full credit to this outstanding performance and, therefore, as there results a greater public recognition, so will the credit status of the carriers improve.

As concerns the second expectation that the Class I Railroads in the Post War Period will handle a level of business ranging between that experienced in the years 1941-1942, reference is made to the near constancy between Railroad Freight Revenues and U. S. Passenger Automobile Output during recent years:

TABLE II

Year—	U. S. Passenger Car Production	U. S. Freight Revenue Class I Roads	Frt. Revenue in Terms of Passenger Cars Produced
1944	None	$6,997,382,000	None
1943	None	6,781,836,000	None
1942	None	5,944,742,000	None
1941	3,754,800	4,447,568,000	$1,184
1940	3,693,600	3,537,149,000	957
1939	2,866,800	3,251,096,000	1,134
1938	2,001,600	2,858,077,000	1,428
1937	3,915,600	3,377,908,000	862
1936	3,664,800	3,308,540,000	903
1935	3,250,200	2,790,551,000	858

After eliminating the collapse-year 1938 results, it will be seen that the seven-year record discloses the equivalent of approximately $1,000 of Freight Revenues in terms of each passenger car produced. It is believed that we can safely count upon U. S. Passenger Car Output in the Post War Period at the annual rate of at least 6,000,000 units for several years; application of the equivalent of $1,000 of freight revenues in terms of each car produced results in the estimate of $6.0 billions of Freight Revenue for the Class I Carriers.

BUT, in order to arrive at Gross Revenues, we must also take into consideration Passenger Revenues and All Other Revenues.

Paying heed to those who direfully look upon the results to the Railroad industry of the peacetime return of the normal competition from airplanes, omnibus and private passenger cars, let us figure upon Post War Railroad Passenger Revenue of only $400 millions annually vs their current annual level of approximately $1.6 billions.

Let us, likewise, figure upon the loss of a good portion of Mail, Express, Dining Car and Milk Revenues (included among All Other Revenues), by allowing for the equivalent of only $100.0 millions for this item (currently approximately $500.0 millions annually).

This reasoning would thereby allow for $6.0 billions of Freight Revenues, $400.0 millions of Passenger Revenues and $100.0 millions of All Other Revenues. The result is Gross Revenues of $6.5 billions annually for the early years of the Post War Period.

Such expected level of business for the Carriers would compare as follows:

TABLE III

(In Billions)

1945	*$8.650	1941	$5.346
1944	9.435	1940	4.296
1943	9.054	1939	3.995
1942	7.465	1929	6.278

*Estimated.

That I am not alone in my belief that the Carriers will have Gross Revenues of in the neighborhood of $6.5 billions is found by referring to the January, 1944 edition of the Chesapeake & Ohio Lines Magazine "Tracks" wherein Brig. Gen. Leonard P. Ayers, an Economist of renown, showed the constancy of Class I Gross Revenues to National Income of approximately 6%. In this article he discusses the American economy in the Post War Period, based upon National Income ranging between $100.0 and $120.0 billions, and estimates that Class I railroads might reasonably be expected to show Gross Revenues running between $6.0 and $7.2 billions.

Our estimate of $6.5 billions is squarely between the two levels of the Ayers' estimate!

If any stronger weight need be added that Class I Gross Revenues will run at least at $6.5 billions, reference need only be made to press releases of Aug. 31, 1945, wherein J. A. Krug, Chairman of the War Production Board—revealing that reconversion was progressing faster than had been anticipated—predicted that civilian production in key industries would exceed the 1939-41 base rate by the end of this year. (Of course, this prediction was made before the recent intense wave of strikes occurred whereby the timing schedules have been considerably delayed).

Data resulting in various estimates was obtained from 42 of the most important industries representing 3,750 manufacturers; one of these estimates allowed that by June, 1946, production of these industries may skyrocket to 187% of the 1939-1940-1941 base period. (Quite naturally the date of attainment of this rate of output will probably be delayed to some degree owing to the previously mentioned wave of strikes).

Nevertheless, applying an 87% increase to the Class I Freight Revenue average for the 1939-1941 base period, and adding $400 millions of Passenger Revenues and $100 millions of Mail Revenues, the result equals Gross Revenues of around $7.5 billions. This potentiality, it will be seen, is $1.0 billion higher than the "minimum" we have heretofore estimated, besides being $300 millions above the most optimistic of Brigadier General Ayers' allowance!

* * *

Now, having discussed the ability of the carriers to correlate wages to operating expenses and having outlined the expected level of business in the early Post War years, we proceed to take up Point 3 which is an estimate of the amount of earnings expected to be available for Fixed Charges—both BEFORE and AFTER Federal Income Taxes.

TABLE IV

For Early Post War Period, Based Upon $6.5 Billions of Class I Gross Revenues

	(A)	(B)	(C)	(D)	(E)	(F)
	(000's Omitted)					
Atchison Topeka & S. Fee	$96,600	$61,408	$6,620	$8,620	9.27	7.12
Atlantic Coast Line	30,700	20,972	4,019	4,019	5.21	5.21
Baltimore & Ohio	73,200	54,560	18,800	26,600	2.90	2.05
Chesapeake & Ohio	76,200	48,518	6,994	6,994	6.93	6.93
Chicago Burling. & Quincy	52,100	33,615	5,886	5,886	5.71	5.71
Chicago Milw. St. P. & Pac.	51,000	34,080	*3,481	*8,700	9.79	3.91
Chicago Northwestern	35,000	23,396	2,640	5,990	8.86	3.90
Chicago R. I. & Pacific	34,500	22,594	*1,403	*4,733	16.1	4.77
Erie	37,600	25,484	5,101	7,310	5.08	3.48
Gulf Mobile & Ohio	7,800	5,356	1,389	1,689	3.85	3.17
Great Northern	58,800	38,860	8,949	8,949	4.34	4.34
Illinois Central	56,700	37,714	9,234	9,234	4.08	4.08
Lehigh Valley	23,100	16,558	6,743	6,743	2.45	2.45
Louisville & Nashville	49,300	32,050	6,173	6,173	5.19	5.19
Missouri-Kansas-Texas	12,600	8,828	2,470	3,170	3.57	2.78
Miss. Pacific (Consol.)	58,500	40,962	*7,300	*14,654	5.61	2.79
New York Central	121,900	90,628	43,710	43,710	2.07	2.07
N. Y. Chicago & St. Louis	26,300	17,290	3,774	3,774	4.58	4.58
N. Y. N. H. & Hartford	26,500	20,030	*6,450	*10,325	3.10	1.93
North Pacific	34,200	24,679	10,396	10,396	2.37	2.37
Pennsylvania	174,031	134,179	74,400	74,400	1.80	1.80
Pere Marquette	12,500	8,250	1,875	1,875	4.40	4.40
St. Louis-San Francisco	20,700	14,476	*3,040	*5,140	4.76	2.81
St Louis-Southwestern	13,550	8,734	*1,508	*1,508	5.79	5.79
Seaboard	17,800	12,324	*1,746	*4,108	7.05	3.00
Southern Pacific	118,800	80,133	22,132	22,132	3.62	3.62
Southern Railway	55,600	38,611	13,127	13,127	2.94	2.94

*Adjusted for latest reorganization plan. (A) Estimated balance available for fixed charges (after taxes other than Federal income but BEFORE Federal income taxes. (B) Estimated balance available for fixed charges AFTER all taxes (including Federal income taxes). (C) Estimated annual fixed charges. (D) Estimated annual fixed charges and contingent interest (exclusive of sinking fund and capital fund). (E) Estimated fixed charges coverage AFTER all taxes (including Federal income taxes). (F) Estimated fixed charges and contingent interest coverage AFTER all taxes (including Federal income taxes).

In the light of this estimated very satisfactory showing, the following table, comparing financial strength, etc., is most interesting:

TABLE V

	Total Fixed Charges and Cont. Interest Est. 1946	†Year 1929	Net Working Capital ‡Oct. 31, 1929	§Dec. 31, 1945
Atchison Topeka & Santa Fe	$8,620,000	$13,443,000	$123,920,000	$33,694,000
Atlantic Coast Line	4,019,000	6,626,000	20,760,000	17,386,000
Baltimore & Ohio	26,696,000	28,843,000	¶¶58,056,000	36,460,000
Chesapeake & Ohio	6,944,000	10,343,000	3,019,000	¶8,065,000
Chicago Burlington & Quincy	6,775,000	9,493,000	27,004,000	11,549,000
Chicago Milwaukee St. P. & P.	*8,698,000	23,286,000	106,336,000	14,409,000
Chicago & Northwestern	5,990,000	13,812,000	¶¶26,730,000	**50,789,000
Chicago R. I. & Pacific	*4,733,000	12,123,000	64,146,000	§§29,474,000
Erie	7,310,000	14,492,000	34,506,000	10,553,000
Gulf Mobile & Ohio	1,689,000	2,359,000	8,990,000	††1,986,000
Great Northern	8,949,000	18,815,000	53,349,000	22,146,000
Illinois Central	9,234,000	18,828,000	¶¶50,406,000	§§2,743,000
Lehigh Valley	6,743,000	7,453,000	16,412,000	938,000
Louisville & Nashville	6,173,000	11,107,000	41,192,000	26,888,000
Missouri-Kansas-Texas	3,170,000	4,923,000	5,267,000	12,659,000
Missouri Pacific (cons.)	*14,654,000	23,043,000	83,492,000	6,242,000
New York Central	43,710,000	60,448,000	118,382,000	§§10,295,000
New York Chicago & St. Louis	3,774,000	8,297,000	20,674,000	1,653,000
N Y N H & Hartford	*10,325,000	18,789,000	48,487,000	6,701,000
Northern Pacific	10,396,000	15,086,000	30,790,000	10,760,000
Pennsylvania	74,400,000	80,444,000	¶¶143,508,000	§§19,976,000
Pere Marquette	1,875,000	2,677,000	9,379,000	1,348,000
St. Louis-San Francisco	*5,140,000	12,733,000	34,102,000	4,105,000
St. Louis-Southwestern	*1,508,000	2,634,000	¶¶18,061,000	‡‡2,456,000
Seaboard	*4,108,000	11,290,000	¶¶40,580,000	§§6,065,000
Southern Pacific	22,132,000	30,178,000	¶¶104,743,000	27,644,000
Southern Railway	13,127,000	17,900,000	42,951,000	1,903,000

*Adjusted for latest reorganization plan. †Fixed charges and contingent charges as reported for 1929 are not strictly comparable on the same basis as currently, owing to the change in accounting precedure commencing 1934 when certain minor changes were eliminated and deducted as a prior charge. ‡Does not give effect to possible holdings of Government securities, etc., carried outside of current assets. §Adjusted to include tax liability, thus making 1945 figures comparable, although not including possible holdings of Government securities, etc., carried outside of current assets. ¶Includes Hocking Valley. **Includes proceeds of sale of $72,335,000 debentures 4¾s (latter issued in 1929 to pave way for meeting at maturity in 1930 of $69,000,000 "Omaha" bonds). ††Estimated to include Gulf, Mobile & Northern N. O. Great Northern and Mobile & Ohio. ‡‡Including tax liability; figures unobtainable. §§Deficit. ¶¶Sept. 30, 1945.

Summarizing, the Railroads in the trying years of 1929-1940—having abundantly proven their ability to so increase efficiency that the steady rise in wage rates was offset—can be expected to easily duplicate this showing in the immediate years ahead, since the level of Gross Revenues confidently is expected to be at better than the 1929-1941 levels; fixed charges and contingent interest requirements in most cases are sharply beneath the 1929 level (in recognition of the combined influences of debt reduction and refundings, also reorganizations); and finances—represented by net working capital—are substantially higher than at the close of 1929.

Thus, at the start of 1946 we are facing continued railroad prosperity, whereby presently strong treasuries will be further added to; further debt reduction and interest savings will be accomplished; also, there is the confident prospect for further increases in dividends on the equities.

In my estimation these factors all add up to a still higher credit status for railroad bonds, which will result in higher quotations and lower yields. As a matter of fact, I am even willing to forecast that in the not-too-distant future railroad equities will rise in price to the point where Convertible bond issues, or even additional stock on a "rights" basis, will be sold publicly, the proceeds to go toward mortgage debt elimination.

Arthur Battles Joins Staff of Boyd & Co.

CLEVELAND, OHIO — Arthur W. Battles, Jr. has joined the staff of Boyd & Company, investment counselors, Union Commerce Building.

Mr. Battles was recently released from the U. S. Navy with the rank of Lieutenant, after serving three and one-half years with the Bureau of Ordnance, being stationed at Washington, D. C. and San Francisco, Calif.

He is a graduate of Western Reserve University and of Harvard Graduate School of Business Administration.

Administration of GI Housing Priorities

(Continued from page 255)

Under the terms of the new regulation, an HH rating is established for ten housing materials which are in critical short supply. These ratings will be awarded either to individual veterans who wish to build for themselves or to builders who wish to erect one or more dwellings for sale or rental to veterans of World War II.

Power to award this rating has been delegated by the Civilian Production Administration to the National Housing Agency which will utilize the field offices of its constituent, the Federal Housing Administration, for processing all applications for priorities. Under the war housing program, the FHA field offices performed this same function for privately financed war housing construction.

While the top sales price for which HH ratings will be issued is $10,000 (finished price, including land and improvements) and the top shelter rental is $80, it is hoped that substantial amounts of housing at lower figures will be produced.

Materials for which priorities will apply include common and face brick, clay sewer pipe, structural tile, gypsum board, gypsum lath, cast iron soil pipe and fittings, cast iron soil radiation, bathtubs, lumber and millwork. From time to time there may be additions or deletions from this list.

Other points in connection with the new regulation which should be clearly understood include:

1. An applicant for an HH rating must give in general specifications of what he plans to build and the price or rental at which he will make it available to veterans. The FHA must be satisfied that the proposed price or rental is reasonably related to the proposed accommodations.

2. Applicants must show that they will be ready to start construction within 90 days and demonstrate that they have effective control of the land, that financing is assured, and that arrangements have been made for local building permits, utility services, etc. If construction has not been started within 90 days, the HH rating becomes void and a new application must be made.

3. An applicant must agree to make the housing available only to veterans during the course of construction and during 90 days thereafter, at the conclusion of which period he may sell or rent to a non-veteran, but on the same terms at which he agreed to make the accommodations available to a veteran.

4. In the sales agreement a veteran or other purchaser is pledged to the same 30-day waiting period exclusively for other veterans in the case of a resale during the life of the priorities regulation and the resale must be made at or below the maximum sales price originally paid.

5. The regulation also provides for conversion of existing construction where it can be shown that increased housing facilities will result.

6. The regulation not only provides for moderate priced housing and multiple-unit dwellings for rentals but also for dormitories or group housing for educational institutions for the benefit of student veterans.

That 1946 will be a difficult year for housing is all too apparent and there is no point in trying to dodge that fact. But I firmly believe that if cities and the Federal Government join forces in teamwork with industry and labor, we will be able to look back on 1946 as the year when we took the decisive steps to ease the housing emergency and in which the foundations were laid for an era of housing development which will be worthy of the resources and aspirations of this country.

The British Loan—A Good Investment

(Continued from page 246)

stead of economic cooperation, the world resorted to economic warfare. Instead of economic statesmanship, countries resorted to exchange depreciation, exchange controls, trade restrictions, bilateral clearing arrangements and similar measures.

The fact is that the basic international economic problems were never solved. And now the war has multiplied many-fold the difficulties of the pre-war period. Customary trade relations have been disrupted. New measures of restriction and discrimination have been introduced to meet the special conditions of war; and many countries will be tempted to continue and even to perpetuate these wartime devices.

Danger of Economic Isolation

The shape of the postwar world is being formed by what we do right now. Unless steps are taken to prevent it, there is a real danger that countries will turn again to economic isolation, and that the world will again be divided into conflicting economic blocs. Peace and prosperity cannot flourish in a climate of suspicion, mistrust, and economic sword-play.

The people of all the United Nations have given ample evidence of their earnest desire to eliminate the economic causes of conflict. But they cannot pursue this course until they have reasonable assurance that their war-strained economies will function. That is a practical problem that faces us now, and the proposed loan to Britain, which is subject to approval by the Congress, is a specific example of facing the problem.

Under the necessity of war, Britain introduced extensive trade and exchange controls in order to mobilize for total war. The use of foreign exchange was stringently limited by complete control of imports and payments outside the group of countries known as the sterling area. Imports from the sterling area and other expenditures within this area were paid for in sterling—British currency—which was held in the form of deposits in London or invested in British Treasury bills. Sterling balances could be used freely only for payments inside the sterling area. The dollars and other convertible currencies earned by sterling area countries were placed in a common pool and were allocated for use where they were most essential for the war effort.

These measures enabled Britain to put all of the foreign exchange resources at her disposal into the war. All of the United Nations benefited because the force brought against the Axis was increased. But the continuance of these same measures after the war can have serious restrictive effects on production and trade in America and on world trade generally. They can imperil, or delay for many years, the restoration of a sound world economy.

Britain's Unbalanced Economic Position

Why, then, should there be any thought that Britain would continue these restrictive measures? Britain is in an extraordinary and probably unique situation in her dependence on imported food and raw materials and upon foreign trade. For this reason Britain stands to gain to an unusual degree from the efficient functioning of a world economy. But for the same reason Britain cannot risk the loss of the protection afforded by these wartime measures unless she can otherwise secure essential food and raw materials during the period in which she builds up her exports.

The war has seriously damaged Britain's export trade and her international economic position. Many of her foreign investments were sold to raise the money needed for the war, and, in addition, she became heavily indebted to foreign countries. A large part of Britain's merchant fleet was sunk during the war. Receipts from other services have also fallen, although they will probably recover with the expansion of trade.

The decline in British revenues abroad from investments and services must be offset by increased exports. There is no other way in which Britain can continue to buy the foods that are essential to the maintenance of her economy.

The expansion of her exports is primarily a problem for Britain to solve; but there is a responsibility on us and on other countries too. Even if British industries are in a position to export, they can succeed in exporting enough to pay for British imports only if there are markets abroad. That means that the pre-war volume of world trade must be substantially increased.

As part of her all-out war effort, Britain was forced to reduce her export trade sharply until in 1944 it was only 30% of the 1938 volume. Even with favorable conditions Britain will need several years to expand her exports sufficiently to pay for her imports. During those years, she must find some way to feed her people and her factories with food and raw materials.

The debts Britain has incurred to other countries to meet her war expenses overseas amount to the enormous sum of $13 billion. These are held in blocked balances of English currency. The mere existence of the debt in this form compels Britain to limit stringently the use of her money in the markets of the world. Britain cannot deal with this problem as an ordinary debt. We must remember that this is a foreign debt, and for a foreign debt the sum involved is tremendous. Some means must be found by the British Empire to settle these sterling obligations.

These are the important problems which Britain must solve. The course she chooses will affect the economic well-being of the entire world. Before the war Britain was the largest importing and the second largest exporting country. But Britain's choice has even wider significance. Many other countries are so dependent on British trade that their policies are vitally linked to those of Britain.

Our own trade relations with Britain have always been close. Before the war, Britain bought 17% of our exports and the British Empire bought 42%. In fact, Britain and the British Empire were not only our best customer but also the best customer of the whole world, accounting for 27% of all world trade. That is why what Britain does to eliminate wartime restrictions and discriminations is so important to us and to the entire world.

Unless she has help in securing her essential import needs during the next three to five years, Britain would have to retain and extend the wartime trade and exchange controls. Trade within the sterling area would be built up, while trade with the outside world would be kept to a minimum. We are a part of that outside world. In a real sense a British economic bloc would be established based on preferences to countries within the bloc and discriminations against countries outside the bloc.

The Anglo-American Agreement

After more than three months of discussion, the representatives of the United States and England agreed on three major points. First, a conflict on international economic policy must be avoided. Second, Britain will need help in securing her essential imports while her export industries get back on their feet. Third, with such help, Britain would be able soon to abandon the wartime currency and trade controls.

From careful study, our representatives came to the conclusion that Britain will need a credit of $3¾ billion to enable her to continue essential imports until world trade has revived and British exports have expanded. Even with this credit, the British people will have to continue to keep their belts well tigthened. Their standard of living will be little different from the austere levels forced on them during the war.

The $3¾ billion to be lent to Britain will be a line of credit on which Britain may draw during the next five years to pay for the imports she needs. No part of the loan is to be used in paying her debts to other countries. Britain must pay these debts from other resources.

An agreement was also reached on the settlement of claims arising from Lend-Lease and Reciprocal Aid and the sale of surplus property located in the United Kingdom. The net amount due to the United States from these accounts was fixed at approximately $650 million. The broad terms provide that both sums will be repaid in 50 annual payments beginning in 1951 with interest at 2%.

Obviously, we cannot foresee the future. There may be times, under depressed conditions, when it will be impossible for Britain to make full payment under these agreements without serious consequences. Under such conditions, it is not in the interest of the United States to compel a default. It is better to do as our agreement provides: accept the instalments of principal due during those years, while waiving the interest payments, and as soon as those temporary conditions pass, resume the full annual payment of interest and principal. If a waiver in some year should be necessary, it will only be because Britain would otherwise be compelled to restrict imports of food and raw materials to a level that would endanger the health of her people and economy.

On her part, Britain undertakes to relax and eliminate the wartime currency and trade restrictions. Specifically, the British Government will make freely convertible into dollars all sterling received by Americans in payment for exports to the United Kingdom. Sterling balances acquired by Americans and arising out of current transactions will also be freely convertible into dollars.

Under the agreement the sterling area countries will be free—within a year, unless a longer period is agreed—to use the sterling they earn from exports for payments in any country they choose. In effect, under this financial agreement, many of the restrictive features governing the use of sterling will be abandoned at once; and as a result the so-called sterling-dollar pool will be abolished.

On the settlement of the sterling balances accumulated during the war, Britain will make her own arrangements with the countries concerned. Britain has stated that she intends to make an immediate payment on these balances, that part of these balances will be written off as a contribution to the war effort, and that a large part will be funded and released over a period of years. These released funds will also be freely available for use in any country without discrimination.

The discussions in Washington were concerned with trade as well as financial problems. A joint statement of policy was issued by the United States and the United Kingdom setting forth an understanding regarding a proposal for a commercial policy agreement among the United Nations to facilitate the expansion of world trade. An international conference is to be held next summer for the purpose of establshing an International Trade Organization, and of reaching an agreement to reduce the barriers to trade, to eliminate discriminations in trade, and to facilitate the maintenance of high levels of employment.

Criticisms of the Agreement

It is unfortunate that there have been some intemperate statements cerning the terms of the proposed loan. In Britain they have been called too hard, in the United States, too easy. They are, in my judgment, fair to both countries. They take account of Britain's need for aid and her ability to repay. They take account of the financial cost to this Government of providing aid to Britain. The interest charged Britain is reasonable comparable to what it costs this Government to borrow money.

The amount of the proposed British credit is large, but it is needed to do the job. Three and three-quarter billion dollars is a lot of do-re-mi in anybody's book. But war, including its aftermath, is costly business. This loan represents about two weeks of our expenditures for war toward its close. In my judgment, this is not an expenditure but an investment. It is sound business for America.

Much of the money involved will be used to finance increased exports to Britain. Increased exports mean more American production. More production means more income to American workers. Even more significant—the proposed program will mean access to more markets on an equal competitive basis for American business. In this way the loan helps to insure a continuing market for the products of American factories and farms. Large markets abroad play an important part in our domestic prosperity and full employment. This is a good investment. We cannot afford international economic anarchy.

Marks Real Progress

The approval of the financial agreement with Britain will mark real progress in the restoration of a world economy. It will be a significant contribution to the prompt attainment of those objectives of order and freedom in the international exchanges that the Bretton Woods program has boldly set up as the basis for international trade and investment after the war. It will make possible an agreement among the United Nations to establish an International Trade Organization devoted to the maintenance of fair practices in international trade.

We, more than any other country, are concerned with the kind of economic world that is now being built. The fact is that we would be the primary target in the continued use of restrictive and discriminatory currency and trade measures. There is no doubt that we could take countermeasures. There is no doubt that we could defend ourselves if economic warfare should break out. But the cost to us and to the world would be reflected in decreased trade, decreased employment, and lower standards of living. Neither we nor any other country can afford a breakdown in international economic relations.

The significance of the financial agreement with Britain goes far beyond its economic effects, important though they are. This is a world in which all countries must work together if we are to live in peace and prosperity. The alternative—God save us—is to perish together. Mankind surely has the wit and the will to choose not death but life.

Am. Savs. & Loan Inst. To Hold Twenty-first Annual Conference

The twenty-first annual conference of the American Savings & Loan Institute, the first with unstricted attendance since 1942, will be held in Milwaukee Feb. 22 and 23 it is announced by Francis E. Ingalls, Lynn, Mass., President of this educational organization of the cooperative banks and savings and loan institutions. Sessions will be addressed by leaders in the business, a nationally known real estate analyst, and by members of the junior executive group in savings and loan, some of whom have returned recently from overseas service.

Francis E. Ingalls

Making home loans to veterans under the Servicemen's Readjustment Act of 1944 as newly amended, and the whole procedure of financing the construction of new homes, including the new priority regulations on building materials, will be focal points of the program.

Speakers announced to date include Henry P. Irr, Baltimore, Md., President of the United States Savings & Loan League; A. D. Theobald, Chicago, Vice President-Assistant Manager of the League; A. A. Kirk, Chicago, Manager of the American Savings and Loan Institute; and Mr. Ingalls, who will give his presidential address the opening morning.

Attendance of several hundred is predicted, with the group largely made up of the men who are second in command in the thrift and home financing institutions as well as the career-minded employes in the business.

The Institute, which is affiliated with the United States Savings and Loan League, is starting its silver anniversary celebration with the resumption of its nationwide conference, Mr. Ingalls pointed out. It was organized in 1922 in Kansas City, Mo., and has graduated several thousand of today's savings and loan staff members with its Standard-Three-Year diploma. It has developed in the past 25 years some 70 local units for instruction in the operation of a savings and loan institution.

Earnings of Federal Reserve Banks for 1945

Preliminary figures received from the Federal Reserve Banks indicate that during the year 1945 their current earnings amounted to $142 million, according to an announcement by the Board of Governors on Jan. 3, which said that current expenses were $49 million. After deducting noncurrent charges and adding profits on sales of Government securities, net earnings for the year amounted to $93 million compared with $58 million for 1944, said the announcement, which added:

As required by the Federal Reserve Act, the Federal Reserve Banks paid dividends of $10 million to their member banks. The remaining net earnings were transferred to surplus accounts or paid to the United States Treasury under the provisions of Section 13b of the Federal Reserve Act relating to industrial loans. At the end of the year the Federal Reserve Banks also transferred to their surplus accounts $48 million from reserves for contingencies.

Railroad Earnings and Rail Securities

(Continued from page 255)

holder who isn't holding to maturity within a period in which the resources of the railroad make it certain that all maturities will be paid, amounts of net working capital and also whatever other improvements may have taken place during the war period, are important essentially for their bearing on future earning power. After all, Southern Pacific in 1930 had working capital of nearly $42 million and in 1933 of about $9.8 million and in 1938 had no working capital at all. With a leverage industry such as the railroad industry you cannot be entirely safe even behind a tremendous wall of working capital.

The vital thing is earning power. Our question about the future is essentially the question of the future for railroads.

Reports of railroad earnings for 1945 have to be deciphered as you would a foreign language. The railroads for 1945 probably will report a net income aggregate for all Class I roads of perhaps something like $500 million, which would compare with $667 million in 1944 and just about $500 million in 1941. But of course that is after deduction of huge capital expenditures out of earnings, that is, in the form of amortization. The railroads actually will have improved their net working capital during the year 1945 from roughly $1.6 billion as of the end of 1944 to considerably over $2 billion. The truth is that 1945 was far more prosperous for the railroads than 1941, even though the net income figures reported will be virtually the same. To understand 1945 earnings you have to consider them exclusively on a cash basis and on that basis they are swell. The last quarter of 1945 was special. We have to bear it in mind when we consider 1946.

What is our general perspective for 1946? In spite of the strikes and interruptions of one kind or another, slowdowns in production by management, etc., the Federal Reserve Board production index is now rising. How fast it will rise from here on will depend on how labor lets it rise and also on other factors beyond the control of management as well as those within its control. However, it seems fair to say that reconversion will be virtually completed by mid-year.

Secondly, it seems pretty clear by automobile registrations as well as by production schedules that throughout 1946 the use of the highways will be far below normal and that the great bulk of the traffic, other than military traffic, that had been diverted to the railroads from trucks and automobiles, will remain with the railroads, even though the airplane is a new factor in the picture. The return flow of troops will probably have reached a peak in December, but according to the Army is expected to continue in the West at the January level through April or May. In the East, the return flow of troops will disappear virtually after January. Coal production, vital to the railroads, will be some 5-8% lower in 1946 than in 1945, according to estimates of the industry. Grain shipments seem certain to be up. Livestock tonnage also will be up, and lumber, as soon as the labor difficulties iron themselves out, will increase steadily. Lumber, cement, and building materials should show at least some increase in 1946 over 1945.

Let us assume the biggest possible drop that is conceivable in various types of traffic. We have tried to do that in estimating the outlook for 1946. We have said that in the first half of 1946 in the east, with the return flow of troops gone, railroad passenger business will be off 33⅓%, and we have included in the east for these purposes the Pocohontas region and the south. That is, about as conservative a way of figuring it as could be desired, when you take into account that in the forepart of 1945 the camps in the south were already smaller than they had been and that the transcontinental movement of troops was at all times small there. Freight revenues in the east, that is, the Great Lakes, Central Eastern and New England regions combined, may be off something like 25% in the first six months. It will not be quite so bad in the South where freight revenues may be off about 18%.

In the west, passenger business will be about unchanged from the first half of 1945. In the first half of 1945 passenger business was off in the west. Decline in freight business in the west will be larger than the decline in the east. In the east in the first half of 1945 freight revenues were off from 1944. In the west in the first half of 1945 freight revenues were up quite a bit from 1944. This is true of the central west almost exclusively, not the southwest or northwest. We are assuming that for the west as a whole freight revenues will be off about 30% in the first six months from a year previous.

For the second half year you have a different picture. Reconversion will have been completed and a real industrial boom will get underway. However, to be conservative let us assume that in this final half of 1946 all revenues, passenger, freight and miscellaneous, will be off 7% from 1945. On that basis railroad gross for the year will come to something like $7.3 billion. This is practically the same as the 1942 gross which was between $7.4 and $7.5 billion. It is so large a gross that you feel it might be wise to be still a little more conservative. However, with gross of $7.3 billion, how much can the roalroads earn under the conditions likely to prevail in 1946?

Of course the key question there is the operating ratio. You can come out with almost any result according to what you take for your operating ratio. We have projected a decline of 16% in gross from 1945 to 1946. That happens to be exactly the decline in gross from 1929 to 1930. In that decline the railroad operating ratio rose 2.7 points. From 1930 to 1931 railroad gross dropped a little more than 20%, operating ratio rose 2.5%. From 1931 to 1932 the drop in gross was still greater and the operating ratio declined, but that was because of wage cuts. It seems on the basis of working experience as well as after a rough check of costs that the normal expectation on a 16% drop in gross would be a rise in the operating ratio of something like 2.5 to 2.7%.

What was the 1945 operating ratio? The operating ratio to be reported will be over 76% but this will reflect among expenditures a tremendous allowance for amortization. In order to arrive at the true 1945 operating ratio you must deduct the amortization of defense projects, including the accelerated amortization, and then you get indicated operating ratio for 1945 of something like 67%.

Therefore let us assume that in 1946 operating ratio will be 70%. On that basis we get net revenue from railway operations of $2,190 million. You wind up with $1,655 million earnings available before Federal income taxes. You deduct $485 million estimated 1946 fixed charges (about $135 million less than 1945) and contingent charges of $33 million, and have net income before taxes of $1,137 million. How much will taxes be? Normal and surtax rate is 38%. The railroads, however, never bear the full weight of the tax rate. The tax accrual rate is a... than the statutory tax rate because of special charge-offs. Let us assume they have 38% tax accruals. On that basis Federal income taxes would be $432 million, which will leave you with net income of $705 million and fixed charge coverage of 2.52 times.

That $705 million of net income is pretty good. Unfortunately it is not where we end but where we start, but even as a starting place it is pretty good. We have to consider the coming wage boost. How much will the wage increase be and to what extent will it be offset by a rate increase? Suppose we say that there is a 12% wage increase and it is retroactive so that it holds good for the year as a whole. Then let us say you have an 8% freight rate increase as a minimum, effective for half the year. On that basis and with the adjustment of taxes, you would have net income of $674 million, comparing with $667 million in 1944. We have to allow for the possibility of something worse than that. The worst that anybody whom we know believes possible, is a 15% wage increase. Assuming a 15% wage increase applicable to the whole year and an 8% freight rate increase applicable to six months, we then get, adjusting again for taxes, net income of $624 million.

We can't stop even there. The ICC seems fully prepared to give a rate increase to railroads. But the machinery does not move very fast. You must accept the possibility that the freight rate increase will not be effective before September at the earliest and perhaps not at all before the end of the year. Let us assume that you have a 15% wage increase and no freight rate increase. Then we get net income of $454 million.

Up to now we have been carrying the mathematical net incomes down because of possible wage increases, etc. Now we must carry them up, that is, if they get down to $454 million, because of the carrybacks. Southern Pacific, for instance, has got to earn at least something like $8 a share. It can't earn much less because of its carryback. If the delay of the rate increase prevents the railroads "from earning more than $454 million," it means they will earn $600 million in 1946 anyway. Net income for the railroads, allowing for all possibilities, will range from $600 million net income upward—perhaps to more than the $667,000,000 of 1944. If the market sees a rate increase granted but not yet in effect and the fact of its lack of effectiveness being offset temporarily by carrybacks, then those carryback earnings will be considered pretty good earnings because they will mean not a reduction from the going effective rate of earning power of the railroads but merely something that prevents distortion of this.

It is not inconceivable that in 1947 they could earn $1 billion net income. When we ask ourselves how it happens that the railroads can do so well, as apparently they will in 1946, in spite of the drop in gross, in spite of the increase in wages and other costs, we can easily find the answer if we look at the figures, and the answer lies partly in the reduction of fixed charges, much more importantly in the elimination of amortization, including accelerated amortization, and primarily, of course, the decrease in taxes. Railroad taxes in 1946 will be lower than in 1942 on the same gross.

To say that the railroads in 1947 may conceivably earn $1 billion does not mean they will do so, however. The period that the railroads are facing for years immediately ahead is a boom period and in boom periods a leverage industry like the railroads is bound to show high earnings. But there will not always be boom periods and whether in 1948, 1949 or 1950 you will have the reverse and that will be reflected drastically in railroad net results. The railroads will have good and bad years in the future. On balance, how they will do will depend on many things, some of which are indeterminable at the present juncture.

The railroads basically, using flanged wheels on a rail, represent a form of transportation which is essentially mass transportation, without which mass production is impossible. They are vital to the country and are the most efficient we can now conceive of for mass production. If they can get enough traffic they can make money. How much traffic they will need depends upon what facilities they must devote to getting traffic. From a long term standpoint it involves the necessity of consolidations and for cutting expenditures. No one can say what the ultimate future of the railroads is.

From a long term standpoint railroad bonds now are too high. Railroad stocks are in a different category. Railroad stocks, in a leverage industry facing a period of fine and probably rising earnings, are cheap, particularly in view of the dividend-paying capacity of the railroads which is an essential part of the picture. There will be dividend increases in 1946.

In conclusion, when we consider the future of railroad securities we don't have to, at the moment, bear in mind the ultimate future. The future of securities from the standpoint of any practical program means the future within reasonably few years and that future is assured and is swell. On the basis of indicated earning power, railroad securities, stocks particularly, are cheap.

Questions And Answers

Q. What about the Denver case.

A. This case involves two important points. One of them is the question of whether or not securities that had been allotted should be reallotted after claims have been reduced. The other is whether or not the judge has the right to confirm a plan when it is not accepted by all classes of security holders. Section 77 would seem to be clear on the latter point but the Circuit Court disagreed. I have no doubt whatever that the Supreme Court will uphold the District Court on that question. The important question, however, is whether or not securities must be distributed. If the Circuit Court is upheld in the Denver case, of course, it will have a bearing on the Rock Island and MOP and other cases. If the Circuit Court is not upheld and the District Court is upheld you can be practically certain that the MOP plan, for instance, will be confirmed. As I said I do not know what the Supreme Court's attitude is going to be. My guess is that it will uphold the District Court, and not the Circuit Court, and that the plan will be confirmed. If I am right in that then the MOP plan will be confirmed. All I can say as to why I believe this is that I think it is desirable from the standpoint of public interest and railroad reorganizations and interest of bond and stockholders of railroads in the future. Someone is going to take a licking, but someone is wiped out every time railroad stocks go down. It is in the interests of public and of security holders and railroads who have to raise capital that they be strong financially and it is also important if there is to be any end to this interminable reorganization process that there comes a point in the process where a plan is set and any development that takes place afterward does not affect the plan. Otherwise no reorganization can ever be completed. My belief is that the Supreme Court will decide that the Commission was correct in its exercise of judgment on the plan or at least had the right to exercise its judgment and that nothing has happened since then that changes the picture and that the plan was correct and it cannot be considered as something that is in perpetual flux.

Q. Why should there be a freight rate increase if earnings will be over $1 billion in 1947?

A. The railroad industry is a highly leveraged industry given to very sharp ups and downs. During the ex parte 148 rate case it was pointed out that the railroads didn't need a rate increase because of large earnings. Commission said at that time that because the railroads are an up an up and down industry they must be allowed to have extraordinary earnings in peacetime good years to tide them over poor years.

Q. What are your favorite stocks?

A. 1. Milwaukee. 2. Southern Pacific.

More speculative stocks will do better from a percentage appreciation standpoint during the period ahead than the stocks which have done best up to now among the rails, that is, the better grade stocks.

3. Norfolk & Western. Virtually certain of $15 a share next year. $5 extra dividend is in the bag. That stock should go higher.

4. C. & O. If it earns $3.80-$4 it will pay $3.50. In general, considering the dividend picture I would say the dividend paying stocks look very good although the best speculative play from now on is in lesser quality stocks.

Q. Northern Pacific? A. I like it very much. Same for Southern Railway, Frisco and Seaboard.

Q. What about B. & O.?

A. I am unregenerate. I think B. & O. will do less well than the average.

Q. Why is Milwaukee your favorite?

A. Stock selling around 31, which price is going to be reduced almost immediately by a $3.50 dividend and after that you are going to get $2 a share conservatively for the next few years and it is a stock of a road which has huge cash resources and which territorially will make one of the best year-to-year showings of any region of the country. The northwestern region did not get the big diversion of troops and supplies from the central west that had been expected in 1945 and also the northwestern region is where grain, lumber and livestock bulk very important in total railroad prospects.

Q. What national income basis for 1946 do you expect in connection with the $7.3 billion gross for railroads?

A. National income, $145 billion. Rail gross, 5.3% of national income.

The Need for New Labor Law

(Continued from first page)

down arms and give conciliatory methods a chance is met with abusive or plausible criticisms which spring from a basic desire to keep on fighting.

Business managers are confused and exasperated by a multitude of governmental regulations, partly required by wartime necessities, partly needed by the peacetime complexities of an industrial civilization, and partly imposed by the pressures of ardent reformers and special interest groups. They are resentful of the many abuses of organized labor power. They are distrustful of politicians who regard their favoritism for organized labor as proof of their liberalism—and as an insurance of votes in elections!

There is one saving grace among industrial leaders. In the mass, they do recognize their ultimate interest in the impartial writing and administration of law; and they do believe in a free, competitive economy, even though as individuals they frequently seek political favors and yield to the temptations of monopolistic power.

Labor leaders are generally suffering from the delusions of rapidly swollen authority gained by political influence, by a special immunity from legal restraints, and by the command of organized force and violence which a sympathetic public permitted them to acquire and exercise in the days when unorganized, helpless wage earners were the common victims of injustice.

The greatest weakness of these labor leaders is their hostility to impartial government. They feel that they are still entitled to an unfair deal; to be petted and favored as the representatives of a specially deserving and unfortunate class of people. With short-sighted selfishness, they are trying to create an economic system in which all wage earners would be compelled to join unions and to accept the fixation of wages and distribution of jobs under the monopoly control of labor politicians. Their success would end a free, competitive economy and produce some form of State socialism as the inevitable outgrowth of the labor dictatorship which they are seeking to establish. Some of them know this. Most of the others don't know what they are doing, or don't care.

Danger to Democratic Government

Our Government is still democratic in its representation of the unregimented masses of the people. But, if the warfare between labor and management is permitted to spread, everyone will be compelled eventually to take sides under class-conscious leaders of either labor or management who are strong enough to swing national power and wise enough to accept the responsibility for the general welfare that must go with the power to prosper or to ruin the nation. But a government by any class would be destructive of political and economic freedom.

It is the balances of power between industry and agriculture, between manufacturer and merchant, between producer and consumer, between financier and borrower, between transporter and shipper—and everywhere between management and labor—that are necessary to preserve democracy and free enterprise. Any power that grows into an ability to dictate to the rest of the people must be cut down. It must be destroyed before it grows too great to be destroyed without a civil war.

As a free people we can no more permit organized labor to dictate terms to management and to regulate management, than we could permit management to dictate terms to labor and to regulate labor organizations. That is why the lawless and ever-growing power to strike must be cut down.

The spectacle of several hundred thousand men launching an industrial war today should warn us that tomorrow several million men may deliberately paralyze the nation's energies. When an irresponsible labor boss today can stop the fuel, transportation, telephone and telegraph service of great cities, we should realize that tomorrow the entire nation may be denied the necessities of life. The sight of thousands of pickets marching today around a beleagured plant should warn us that tomorrow hundreds of thousands of such wilful law-breakers will also be trampling the Constitution and Bill of Rights under their feet.

The spectacle of a labor bloc in Congress today cringing under the whips of labor lobbyists should warn us that tomorrow a majority of the Congress may be whipped into line to pass laws to establish a labor domination—and that subservient administrators and courts may be forcing the free men of America again to revolt against such a tyrannical government, and again to fight for their liberties. It would be wiser to fight labor sluggers in the streets today than to wait to have our offices and homes invaded by official thugs tomorrow.

Needed: An Anti-Strike Law

What is the way to stop this rising flood of legalized force and violence that, if unchecked, will sweep away our liberties? The way is just as plain to see as the highway from the Department of Justice up Constitution Avenue to the Capitol. What is needed is not a law to forbid strikes, but a law to make strikes unnecessary . . . a law establishing processes of justice for the settlement of economic conflicts; and a law that sternly requires all those engaged in labor disputes to exhaust all peaceful ways and means to settle them before undertaking to make war on each other.

The overwhelming number of labor disputes can and should be settled by negotiation, or with the aid of mediation, or by voluntary arbitration. If these efforts fail and the public is not to be seriously injured then the resort to a strike or lockout may be justifiable or at least tolerable. Perhaps it is necessary, when the public injury may be slight, to permit irreconcilable opponents to resort to a test of strength in order to preserve that sense of democratic freedom which makes men tolerant of the difficulties and losses caused by democratic methods. But the freedom to strike should not be forged into as a license to break the laws. A lawless strike is an unlawful strike which should be broken by public authority. When the public police power yields to private force, the government becomes unworthy of respect.

There are, however, two classes of labor disputes in which peaceful efforts should not end with the failure of negotiations. These are disputes where a stoppage of production will seriously affect the public interest.

In these cases the parties to an unsettled dispute should be required to refrain from any aggressive action until an impartial government commission has had an opportunity to investigate the controversy, to hear the evidence and arguments of all parties, and to make public recommendations for a settlement. The experience of 20 years under the Railway Labor Act has proved that this procedure will bring about a peaceful end to most stubborn and difficult labor disputes.

This is not a compulsory arbitration because the recommendations of such a commission would not ordinarily be made enforceable.

Basis for Compulsory Arbitration

But, there is a comparatively small class of disputes wherein it may be necessary to require the parties to accept the recommendations of a Presidential commission. These are disputes where a stoppage of work will inflict intolerable injury on an entire community or the nation. Compulsory arbitrations and enforceable decisions have been made necessary in such cases because of two recent developments.

First, the expansion of labor organizations to the point where the number of employees who can strike in a body is so great that such labor organizations now have the power to paralyze vital public services and to bring grave suffering to a multitude of wholly innocent and helpless people.

Second, with the increased power of labor organizations and the absence of any legal responsibility for the misuse of such power, we have seen, with increasing frequency, reckless and devastating attacks upon the people and their government through strikes which had to be stopped quickly by some public official to save the public from incalculable and unbearable distress and hardship.

We have seen repeatedly that a Mayor, or a Governor, or the President was forced to use a doubtful executive power to compel the end of such a strike. It is an evil thing for the workers, for employers, and for the general public to have such economic conflicts settled by arbitrary executive action. Yet it would be worse for all concerned to have such strikes continue. Governor Dewey in New York had to stop a costly strike of building service employees. Governor Kelly in Michigan had to stop a strike of public utility employees. President Truman had to stop dangerous strikes by seizing the properties of oil companies and of a local transportation company in the city of Washington.

In such an intolerable situation, some outside force must be employed to settle the terms under which labor and management, which have undertaken to render a vital service, will continue to work together.

It is an underlying principle of our democratic, constitutional government that when private controversies must be settled by public authority they shall be submitted to a judicial tribunal which, after public hearings, will issue an enforceable decision. That is the principle which should be written into our Federal labor law.

It is not worth while to take your time today discussing the details of a Federal labor law that would preserve industrial peace. You might be convinced that my program is a good one. But tomorrow you might be persuaded that some other plan would be better and that mine had serious flaws. Eventually you will look to your representatives in Congress to solve the details of this problem for you.

New Labor Law Needed

But you can make up your minds today as to whether new labor law is needed and what kind of a law should be written. If you understand how destructive industrial warfare is to the interests of all the workers, all the businessmen and all the consumers, and if you understand that it is the primary duty of government to preserve peace and good order, you know already that new labor law is urgently needed in the United States.

You should also know, or be able to learn very quickly, that the only way in which government can preserve domestic peace and good order is to establish peaceful methods for the just settlement of conflicts of interest between its citizens, and to require its citizens to use those methods instead of fighting one another. If you know these few things, then it should not take much time to explain what kind of new labor law should be written promptly into the statutes of the United States.

I am not trying today to persuade you that the HBB bill should be enacted by the Congress just as written, or that every provision in it should be supported. But I do think you should be easily persuaded that such a new labor law is sorely needed. Unrestrained labor warfare is bringing untold suffering and incalculable losses to the American people. It is destroying economic security, undermining Government authority and sowing broadcast the seeds of civil war. It is a national disgrace. It shames us before the world in the very hour of a world-wide triumph of the strength and courage of the American people.

Yet when public spirited men, public officials, and private citizens, strive to reestablish domestic peace with justice under the law, the leaders of this vicious labor warfare spit out their venom like angry snakes. They even have the arrogance to charge the President of the United States with "abject cowardice" because he has the courage to disregard their frowning displeasure.

Upon what meat have Murray, Green and Lewis fed that they have grown so great? They are not even elected by the workers whom they claim to represent. They are chosen by delegates to conventions who are the product of boss-ridden political labor machines.

Public officers, however nominated, must be elected by the people. But these labor politicians have no such certificate of authority. They are only national bosses picked by the local bosses of half-free, half-enslaved organizations. These so-called leaders can't even maintain a volunteer army. They have to force employers to compel the workers to enlist and pay union dues—so they will be able to make war on the public with an imposing but largely conscript army.

That is why every secret poll taken of union workers shows that a large majority of them want strikes prevented. They don't want to fight and suffer in a conscript army to maintain the power and glory of the Murrays, the Greens and the Lewises, who misrepresent them and lead them into wars in which everyone but the labor politicians and racketeers suffer irreparable losses.

For sixty years Presidents of the United States have been recommending Federal laws that would bring about the peaceful settlement of labor disputes by negotiation, mediation, voluntary arbitration and through the recommendations of fact-finding commissions. From the days when President Cleveland proclaimed the leaders of riotous mobs of workers to be "public enemies" there has been a growing need and a growing demand to establish the supremacy of the public interest and the public law over the private interests and private laws of labor unions.

The Powers of Government

Without calling the roll and reading the long record, I will summarize it in the words of Franklin D. Roosevelt, who did more to strengthen labor organization than all the so-called labor leaders of today, and who said: "Every President of the United States in this generation has been faced by the fact that when labor relations are strained to a breaking point there remains but one high court of conciliation—the Government of the United States."

What kind of citizens are these who are unwilling to give to this high court, unwilling to give to their government, the power to preserve domestic peace and security, the power to defend civil rights against organized mobs, the power to destroy conspiracies that deprive masses of people of the necessities of life, the power to break up the triple alliance of labor dictators, criminal gangsters and alien revolutionaries?

It matters not whether those who are unwilling to give their government the power to preserve industrial peace are labor leaders who regard themselves as defenders of the common people or industrial leaders who think they are the ordained defenders of free enterprise. It matters little whether these obstructionists are well-intentioned and ignorant or evil-minded and cunning. They cry out against government compulsions but they are themselves advocates of a rule of private force instead of a rule of reason. All those who insist on using organized force to advance their selfish interests should be recognized as public enemies in an interdependent society which cannot prosper or even survive except through the ever-closer and more willing cooperation of all its members.

Nothing proves more clearly the need for new labor law than the opposition of these public enemies. They show themselves to be the enemies of labor and the enemies of business when they try to mislead workers and businessmen against a well-tried program of industrial peace which true friends of labor and of business management are advancing in order that labor and management together may seek and gain economic justice without suffering the losses and hardships of industrial warfare which a civilized society should have outlawed long ago.

Emery Named Sec'y of Amer. Chem. Society

Election of Alden Hayes Emery as Secretary and business manager of the American Chemical Society has been announced by Bradley Dewey, President of the Society, following a meeting of the Board of Directors. Mr. Emery, a former official of the United States Bureau of Mines, succeeds Dr. Charles L. Parsons, who retired on Dec. 31 after serving the Society as secretary for 38 years and as business manager for 14. Mr. Emery has been the Society's Assistant Manager since 1936 and Assistant Secretary since 1943. In 1927 Mr. Emery went to Washington to take up administrative work in the Bureau. When he resigned in 1936 to become assistant manager of the American Chemical Society, he was Assistant Chief Engineer of the Bureau's Experiment Stations Division. Mr. Emery was Secretary of the American Chemical Society's Division of Gas and Fuel Chemistry from 1933 to 1937. From 1924 until this year he was an abstractor for "Chemical Abstracts," a publication of the Society which provides American chemists with digests of articles appearing in chemical journals throughout the world. Mr. Emery was Assistant Editor of "Chemical Abstracts" in charge of its fuel section from 1931 to 1939. He also served from 1931 to 1939 as editor of several sections of "Metallurgical Abstracts" dealing with the chemical aspects of metallurgy.

As a member of the American Institute of Mining and Metallurgical Engineers, he helped to establish the organization's Industrial Minerals Division, of whcih he was Secretary in 1938 and Vice Chairman in 1939. He also was Chairman for several terms of the division's committee on chemical raw materials.

Inflation in the Stock Market

(Continued from page 243)
mometer that it is, the market is obviously registering the views of large members of our people with respect to the stresses and strains that are apparent everywhere as we attempt to make the great adjustment from war to peace.

That a substantial amount of inflation already has taken place cannot be denied. The extent to which inflation is further extended depends upon the policies which the Government adopts or fosters.

The danger, I feel, is great, but it is susceptible of control. To prevent a runaway inflation will require the most resolute attitude on the part of Congress and the executive branch of Government in various directions. The Government has yet to come to grips realistically with the kind of fiscal and tax policies demanded by postwar conditions. The same is true with respect to the relations between labor and management. We need to have, at the earliest possible moment, a clear definition of the procedures for lifting unnecessary controls that will release our productive capacity in order that it may supply the needs and wants of our people. A speedy increase in production is the surest method by which the dangers of inflation may be reduced or averted entirely.

It is a function of the securities market to reflect the concern which these difficult problems are causing. It is absurd to blame the market for giving expression to the anxieties that are in the public mind.

It is my own opinion—and I realize it conflicts with that of a great many people—that investment in common stocks and other securities is sound only to the extent that the dangers of inflation are avoided. Nothing that is bad for the economy of this country is good for securities and anything that is good for America is good for the shares in American industry. Sound values in business rest on a healthy national life. In the event of disastrous inflation, American corporations will suffer along with the rest of the American people.

Returning to the Stock Exchange itself, our aim is to keep it the worthy servant of American industry and American investors. It is fair to say that the New York Stock Exchange today is exercising the function of providing an orderly market for securities better than at any time in its history. It provides a convenient and efficient public market for listed securities. That market is a free market in the sense that prices in it are not subject to artificial influences. In these days of greatly increased volume, the New York Stock Exchange is operating at peak efficiency. The standard of business probity among Stock Exchange firms is not excelled by any business activity.

Furthermore, under Exchange requirements and under the Securities Exchange Act, there is an abundance of pertinent information available whereby an investor may judge, or have some competent person judge for him, the investment or speculative merit of any security which he wishes to buy or sell. We hear very little criticism of the efficiency of the stock exchanges today.

There must be no return to pools, manipulation, irresponsible offerings of worthless securities and the days of inadequate and incomplete information regarding the affairs of publicly-owned corporations. Nor is it desirable that America again should be plagued by undue concentrations of power, made possible through the loose employment of other people's money.

The aims of the securities legislation of the early thirties were thoroughly sound. Briefly, they were to end manipulation and provide dependable information to the investor. The investor was to be protected against sharp practices. Let us keep in mind, however, that Congress had no intention of discouraging the investor from taking legitimate business risks.

Our capital markets have a highly important part to play in advancing the enterprise system in these fateful years of newly-won peace. They are needed to facilitate the gathering and servicing of the capital necessary to rebuild a better world in which abundance shall be counted a blessing, stagnation a sin. We must again reward the venturesome and cease to encourage those who would bury their talents in a vain quest for unfruitful security.

How can the New York Stock Exchange, and the other registered exchanges, best function to make this contribution to the machinery of organized society?

In two ways: First as efficiently operated markets for securities of our corporate enterprises; and, second, as leaders in sound, modern financial statesmanship.

As a market, we are providing a meeting-place for buyers and sellers of stocks and corporate bonds representing a large part of the wealth of America.

There is hardly a family in the United States which does not own, directly or indirectly, some of the securities for which the New York Stock Exchange provides a free and open market.

The social responsibility involved in maintaining this market makes the New York Stock Exchange nothing short of a great service institution.

This auction market is the hub and center of a vast organization. For the convenience of those who use it, its member firms maintain branch offices in 339 cities in 46 States. The floor of the New York Stock Exchange is only minutes away from any telephone or telegraph instrument in the land.

On the floor of the Exchange, through highly trained, responsible and ethical brokers, any investor can buy or sell any listed security. There are traded the highest grade bonds and stocks, and speculative, as well as all grades in between these two extremes.

The securities are clearly marked. Information regarding them is readily and conveniently available to everyone. Moreover, the various member houses of the New York Stock Exchange maintain, at great expense, staffs experienced in advising clients regarding the nature and quality of securities.

These experts have at their finger-tips a mass of financial and general information as to the investment equity, the fundamental merit and the risks involved in buying or holding almost any type of security. Of course their judgment is not infallible, and no one can tell just how any risk will come out; but there is no market in the world where all the facts about the available goods are more readily or more quickly available than in this one.

Neither the New York Stock Exchange, nor any other exchange, can or does guarantee an investor against loss; but it can, and does, make the nature of the speculative risk an open book in so far as that is possible.

As a market we have always done a good job, but we have never before been able to do as good as we are doing now. This is because intelligent risk-taking is more and more taking the place of uninformed speculation. This is at it should be. It means that our business rests upon a sounder base. For this condition both the Exchange itself and the Securities and Exchange Commission share the credit.

Free markets are open to all, as they should be, but, as I have been pointing out for some time, access to them should not be abused. The country and our exchanges will be better off if those who are unable to judge intrinsic values, or who are unwilling to be guided by facts in appraising values, will stay out.

The New York Stock Exchange has agreements with the companies whose securities are on its list under which they make available periodically factual information as to their earnings and financial condition. The Exchange urges that all who use its facilities avail themselves of this information.

Our capital markets are entering today upon a period of great usefulness and unlimited opportunity. We must see to it that these markets are kept clean and efficient, insofar as it lies within our power. To the extent that their capacity to serve the public is restricted by defects in the regulatory laws, we must and will not hesitate to ask for appropriate amendment. But such revision must be justified by considerations of public welfare.

We can expect no results from any appeal to Congress that is based upon nothing more than "Please help me."

There is a great social responsibility involved in the business of serving investors. Equally, there is a great responsibility and a great opportunity in our function of facilitating the flow of capital for the free enterprise of a free nation. We have earned the right to cast off our sackcloth. We have made our business a shining example of indispensable public service, ably and honestly performed. In these days of our prosperity we are not forgetting the lessons learned the hard way during the days of our adversity. You can be proud of our markets . . . they will not fail you in these times when their proper functioning is so vital to the national well-being.

Allies Recognize Austria

The Austrian Government, headed by Chancellor Leopold Figl and President Karl Renner received recognition on Jan. 7 from the United States, Great Britain, Russia and France, the Associated Press reported from Washington, adding that recognition does not, however, affect the authority of the Allied Council, which will continue to carry out Allied objectives in Austria, and which in a resolution last month recommended recognition.

The announcement stated that as the Allied objectives, including elimination of Nazi influences in Austria and promotion of a democratic way of life, are achieved, "a large-scale reduction may be made in the number of occupation troops of the four States (United States, Britain, Russia and France), and that Austria may progressively acquire the status of an independent State."

The recognition announcement, according to the Associated Press, included the text of a message from President Truman to Dr. Renner, which read:

"I wish to extend to you my sincere congratulations on your election as President of the Austrian Republic and my best wishes in your task of completing the liberation of Austria and the revival of an independent and democratic State. I can assure you that the people of the United States will wish to assist Austria in this endeavor."

Municipal News and Notes

Taking its cue from the continuing strength of the government bond market, the market for obligations of States and municipalities has maintained the highly optimistic tone that has been its most significant characteristic since the close of the Victory Loan drive. The demand for local tax-exempts is extremely broad, despite the constant narrowing of yields as a result of advancing prices. The latter, generally speaking, are now at the alltime peaks established in May, 1945, and in not a few cases, dealers are prone to bid in issues at levels considerably above the averages.

The strong tempo of the market has been vividly illustrated in the tenor of the bidding for some of the more recent offerings. A good example is that furnished in connection with the award of $500,000 airport development bonds by Indianapolis, Ind.

This loan, maturing yearly from 1946 to 1965 inclusive, attracted 12 separate offers, all naming a 1% coupon and, with one exception, specifying a price better than 101. The award went to a group headed by John Nuveen & Co., Chicago, which bid a price of 101.5425, or only $22.89 more than that afforded in the runner-up tender of 101.538 submitted by an account headed by Halsey, Stuart & Co. The successful group re-offered the bonds to yield from 0.20% to 0.85% and was able to dispose of approximately half of the issue on the initial offering day.

The City of Toledo, Ohio, profited handsomely from the necessitous re-offerings of the $200,000 grade crossing elimination bonds of 1947-1976 which were originally sold last Nov. 13.

On that occasion, the successful bid was a price of 100.57 for 1½s. In the recent re-advertised offering, the city was able to obtain a price of no less than 102.44 for 1½s from the same group, headed by Stranahan, Harris & Co., which entered the top bid at the original sales. The latter had to be canceled due to a technical error in the bond offering advertisement.

It may be added that the competing bidders also sharply revised upward the offers made on the occasion of the earlier offering. Thus an account headed by the Provident Savings Bank & Trust Co., Cincinnati, which placed second in both instances, offered 101.73 for 1½s in the recent attempt, as compared with its previous bid of 100.52 for 1½s. Similarly, a Halsey, Stuart & Co. account raised its terms from 100.454 for 1½s to 101.15 for the same coupon. This transaction perhaps best illustrates the sharp improvement pricewise that has been recorded by the market as a whole during the past few months.

In connection with the market's activity, it should be added that the continuing betterment in the price structure has served to stimulate interest of both dealers and investors in various items that have been overhanging the market for some time. Among these may be mentioned the Baltimore, Md., 1s of 1950-1964, and the Chicago Park District, Ill., 1½s of Dec. 1, 1965, and becoming optional beginning June 1, 1948. Both of these issues were recently fully distributed, although the underwriters had been carrying substantial balances for several months.

Oklahoma Municipal Debt Data Compiled

R. J. Edwards, Inc., Terminal Building, Oklahoma City, Okla., have prepared a new edition of their "Oklahoma Financial Survey," containing a wealth of statistical information pertaining to the financial condition of the various political subdivisions of the State. The data includes statements as of June 30, 1945, with respect to assessed valuations, bonded debts, sinking funds, and 1944-1945 sinking fund tax levies and collections for each county and its political subdivisions.

Quick access to the record desired for any one unit is made possible by reference to an alphabetical index provided in the forepart of the survey.

Evangeline Parish, La., Decision Favorable to Bondholders

The U. S. Fifth Circuit Court of Appeals on Jan. 9 sustained an earlier ruling of the United States District Court which denied the right of the Evangeline Parish School Board, La., to redeem in advance of maturity date a total of $55,000 bonds held by the Kansas City Life Insurance Co. The matter has been in litigation for sometime and, according to New Orleans press advices, the latest decision favorable to the bondholders was given wide currency in bond circles by J. E. Roddy, President of the Louisiana Security Dealers Association.

Public Utility Securities

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ropean research staff to this country and building up Federal Telephone & Telegraph, which in 1944 earned for the parent company an equity of $6,542,000.

The telephone business in Latin America (outside the Argentine) has also done pretty well on balance; Cuba for instance showed a profit of $927,000 in 1944 against a loss of $187,000 in 1937. Peru and Puerto Rico seemed to have gone downhill, but Chile has become an important source of income. Profits from the cable business declined due to the war, but the cable system (now controlled by American Cable & Radio) is now on a stronger financial basis.

International Telephone should benefit in time by the recovery of its European properties, largely undamaged except in Germany and Austria. But the electronics venture in this country (Federal Telegraph) may meet some heavy competition from other strong contenders in television and related fields such as GE, Westinghouse, Radio and Bell. Without benefit of huge war orders, the business may temporarily drop off, but nevertheless has good possibilities linked with the future growth of this important "infant industry." International controls many valuable patents, and has its finger in many important scientific developments; its research staff seems one of the best.

The nine months' interim report seemed to indicate that 1945 earnings may decline moderately from the $1.22 reported in 1944—perhaps to around the $1 level. A bond refunding next year might recover about 10¢ per share. Unfortunately the system will apparently not gain much benefit from the new tax law, though this point is difficult to analyze. The parent company's financial structure has been strengthened in recent years despite the ravages of war, and its potential comeback in Europe and the romance of its big "electronics" venture may lend the stock some measure of speculative appeal to long-term holders, despite the fact that the present price level appears high in relation to estimated 1945 earnings.

The Government, the Banks and the National Debt

An address made by Dr. Leland on Jan. 16, before Institute of Business and Economic Problems, University of Pittsburgh. The views expressed in this article are purely personal. They are not to be attributed to any institution with which the writer is connected. The writer is indebted to Messrs. L. W. Mints and John K. Langum for numerous suggestions and criticisms of this manuscript. They, too, are not responsible for the author's ideas, errors or judgments.

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deposits and other factors. The larger the debt becomes the greater its impact upon the economy, and the more vital the debt management problems.

Growth of the Debt

On Dec. 31, 1945, the gross national debt was $278,000,000,000.[1] This indebtedness is to be compared with $43,000,000,000, the amount of the outstanding debt on June 30, 1940, when the defense preparations for World War II were begun in earnest.[2] The increase in the national debt because of World War II has aggregated over $235,000,000,000 and the books on war costs can not yet be closed. In World War I (between March 31, 1917 and Aug. 31, 1919) the debt increased by $25,315,000,000.[3] The legacy of our aggregate public debt from World War II is practically ten times greater than the debt left by World War I.

The economic depression of the 1930's also left its imprint upon the debt of the national Government. Beginning in [illegible] the debt gradually declined until it reached $16,026,000,000 on Dec. 31, 1930.[4] Thereafter, as fiscal measures and recurrent deficits were adopted to stimulate production and employment, the debt rose steadily until June 30, 1940, when military preparations gave it a further upward impetus. If the debt increases between Dec. 31, 1930 and June 30, 1940 are attributed to efforts to overcome economic depression, the $26,941,000,000 added to the public debt between 1930 and 1940 exceed the indebtedness attributable to World War I by over $1,626,000,000. The internal war against depression ranks debtwise with actual wars.

Increased Importance of the Public Debt

The importance of the public debt to the national economy is greater than ever before not only because of its absolute size and the resulting interest burden, but also because the relative position of the public debt has grown. The indebtedness of the Federal government now constitutes 56.7% of all public and private debts now outstanding.[5] In 1916, when the national debt was but $1,200,000,000, Federal obligations comprised only 1.5% of total public and private debts. The percentage rose to 20.1% in 1919 which point was not again reached until 1939, although the relative importance of Federal obligations in the total debt structure of the country steadily increased during the years of the late depression.[6] These changes may be seen from the following table:

Outstanding Net Federal Debt In Relation to Total Public and Private Debt

	Total Public and Private Debt		Federal Government and Federal Agency Debt	
Year	Amount (in billions of dollars)	Per Cent	Amount (in billions of dollars)	Per Cent of Total Public and Private Debt
1916	$81.1	100.0%	$1.2	1.5%
1919	126.6	100.0	25.5	20.1
1920	133.9	100.0	23.5	17.6
1930	190.4	100.0	14.8	7.8
1935	163.2	100.0	26.0	15.9
1940	179.0	100.0	36.9	20.6
1941	200.4	100.0	47.8	23.9
1942	247.8	100.0	93.6	37.8
1943	302.8	100.0	147.0	48.5
1944	361.7	100.0	205.0	56.7

Slater, loc. cit., p. 14.

This increase was due not alone to the decline in private security offerings but also to the financing of relief-recovery programs, primarily by public borrowings. In 1940, Federal securities comprised 20.6% of total debt instruments, and each year the percentage has increased. Public securities have thus come to dominate the market for debt instruments, and considering the size of the Federal obligation this dominance may continue for some years.[7]

Ownership of Federal Securities

The increased importance of public debt instruments is visible at every hand. Federal securities have been acquired in increasing volume by individuals, business concerns, banks, financial corporations, insurance companies, trust funds, state and local governments and other institutions. What has become the collective obligation of the United States has become a primary asset—in some cases the major form of saving—of its citizens and their enterprises. Twenty-seven million people subscribed to war bonds through payroll deduction plans.[8] At the end of September, 1945, the amount of Series E United States Savings Bonds outstanding was approximately $29,870,000,000.[9] At the end of August (1945) the Treasury survey of the ownership of Federal securities indicated that investors other than banks, insurance companies and government agencies held over $101,582,000,000 of U. S. securities.[10]

Bank Ownership of U. S. Securities

All banks in the United States, on June 30, 1945, had loans and investments of $129,635,000,000, of which $93,657,000,000, or 72%, were in U. S. securities.[11] On Dec. 31, 1940 bank loans and investments totalled $54,170,000,000, of which $20,983,000,000, or 38.7%, were in Federal obligations.[12] Between Dec. 31, 1940 and June 30, 1945 bank loans and investments increased 139% but bank ownership of U. S. government securities increased 346%. The dominant asset of our private banking system is their present investment in the public debt instruments of the United States.

Prior to World War I and the depression of the Nineteen Thirties, banks existed mainly to provide deposit services and credit facilities to private borrowers. This was true even during World War I, during which time the banks had only about 11% of their loans and investments in United States securities. Instead of financing the government they loaned customers money with which to buy bonds. The slogan of that period, "Borrow and Buy," aptly describes the situation. Since the beginning of World War II, however, the main function of banks has been the financing of the Federal government. Beginning in 1940 (June 29) bank investments in U. S. securities rose from $19,666,000,000 to $93,657,000,000 by June 30, 1945. This trend is shown in Table I. It demonstrates clearly the major importance of government securities among bank assets.

TABLE I

United States Government Obligations Owned by all Banks in Relation to Total Loans and Investments 1914-1945

(Amounts in Millions of Dollars)

*Date	Total Loans and Investments	U. S. Government Oblogations	Ratio of U. S. Obligations to Total Loans and Investments
1914	$20,788	$829	4.0%
†1918	31,814	3,507	11.0
1920	41,572	4,583	11.0
†1929	58,399	5,499	9.3
1932	46,310	6,895	14.9
†1940	51,336	19,666	38.3
1941	57,946	23,521	40.6
1942	64,009	30,301	47.3
1943	87,881	57,748	65.7
1944	108,707	75,737	69.7
1945	129,639	93,657	72.2

Data taken from **Banking and Monetary Statistics**, Board of Governors, Federal Reserve System, 1943, p. 18; **Federal Reserve Bulletin**, December, 1944, p. 1206; **ibid.**, November, 1945, p. 1124.

*June 30 of each year except as otherwise noted. †June 29.

Insurance Company Investment in "Governments"

The same tendency is visible in the investment policy of life insurance companies. In 1939, only 2% of the admitted assets of 49 major companies was represented by the ownership of Federal securities. Beginning in 1933, government bonds began to look more attractive to these companies—a tendency which continued throughout the depression. When the war preparations commenced in 1940, over 19% of the assets of the major 49 companies was in "governments"; by 1944 the percentage had increased to 44 and in 1945 U. S. securities constituted 47% of admitted assets. These data are shown in more detail in Table II.

TABLE II

Comparison of United States Government Bonds Owned With Total Assets of 49 Legal Reserve Life Insurance Companies: 1929-1945

(Amounts in Millions of Dollars)

Year	Total Admitted Assets	Ownership U. S. Government Bonds	Per Cent Bonds to Total Assets
1929	$16,002	$316	2.0%
1930	17,247	303	1.8
1931	18,411	356	1.9
1932	18,988	421	2.2
1933	19,259	805	4.2
1934	20,110	1,738	8.6
1935	21,385	2,722	12.7
1936	22,900	3,692	16.1
1937	24,142	4,363	18.1
1938	25,495	4,646	18.2
1939	26,847	5,063	18.9
1940	28,249	5,493	19.4
1941	29,937	6,414	21.4
1942	31,884	8,739	27.4
1943	34,400	11,698	34.0
1944	37,265	15,277	41.0
*1945	40,600	18,900	46.6

*Estimated.

Data taken from **Proceedings of the Thirty-sixth and Thirty-seventh Annual Meetings of The Association of Life Insurance Presidents**, New York, New York, Dec. 11, 1942 and Dec. 2 and 3, 1943, pp. 18, 20; and secured by letter from Statistical Department of the Association of Life Insurance Presidents.

Holders of Public Debt

No additional data need be cited to indicate the tremendous importance government securities have assumed in the economic and financial life of the people and institutions in the nation. The debt, moreover, is widely distributed among them, but with marked concentration of ownership so far as financial institutions are concerned. They have become the **rentier** group to which primary payment of principal and interest will in the future have to be made. In August, 1945, when the total interest-bearing debt was $261,261,000,000, almost 43% of the aggregate was owned by banks, including the Federal Reserve System and mutual savings banks; 8.2% was held by insurance companies; 10% by Federal agencies and trust funds. The balance—38.9%—was held by other corporate and individual investors. The amounts of the respective holdings are also shown in Table III. These distributions hold clues to many future problems relative to the payment or management of the debt.

TABLE III

Ownership of U. S. Interest-Bearing Securities, Aug. 31, 1945

Type of Investor	Amount Owned (in Millions of Dollars)	Per Cent of Total
Commercial Banks	$79,049	30.3%
*Savings Banks	10,392	4.0
Federal Reserve Banks	22,530	8.6
Insurance Companies	21,555	8.2
U. S. Agencies and Trust Funds	26,153	10.0
All other investors	101,582	38.9
Total	$261,261	100.0

*Includes mutual savings banks and stock savings banks.

Data taken from **Treasury Bulletin**, November, 1945, p. 49 and **Federal Reserve Bulletin**, November, 1945, p. 1138.

Perhaps the most crucial problem of debt management revolves around the holdings of the commercial banks.[13] In the future, when non-bank holders sell Federal securities in the open market, large quantities will probably be purchased by commercial banks, so far as they are eligible to own them. Other financial institutions, including the Federal Reserve Banks, will probably also acquire additional amounts. The commercial banks may be expected to add to their holdings if, during the proximate years of peace, the national Government covers its fiscal deficits by borrowing. It cannot be assumed that because the war has ended deficits have likewise stopped. Without attempting to predict the course of future Federal finances or espouse any definite fiscal policies, it may be said that numerous Treasury deficits are likely to recur in the years ahead. Some may be intentionally planned, others may be entirely unforeseen. To meet them the Treasury will have to rely in increasing degree, in the future, on security sales to private financial institutions. It is unlikely if popular bond-subscription drives can be utilized in peacetime to cover ordinary or casual deficits. The drive technique will be reserved for emergencies, but tap issues and savings bonds may always be available. Nevertheless banking and other financial institutions are and will continue to be the normal subscribers and underwriters of Federal securities. If the debt continues to grow during peacetime, or if non-bank owners sell, bank ownership of debt instruments can be expected to increase. On the other hand, if these institutions have also to supply simultaneous credit needs of private industry they may sell "governments" on the open market, may refuse to renew subscriptions as issues mature, or they may use Federal securities as the basis of loans from the Federal Reserve System. They have already sold the "Fed" the bulk of the Treasury bills and a considerable share of the certificates of indebtedness issued during the war.[14] The ability of the banks to secure funds for credit expansion by the sale or discount of Government securities makes it difficult for the Reserve System to use the controls now at its disposal to prevent the generation of inflationary tendencies. The banks, as the rules now stand, can expand their credits whether the central banking authorities like it or not.

This potential ability of the banking system to feed an inflationary boom adds an additional force to the other factors already lurking in the present situation. The continuation of fiscal deficits, the shortage of civilian goods, the unused backlog of savings and pent up purchasing power, the store of available personal credit, the accumulated demand for consumer's goods of every kind, the cost-increasing propensities of labor demands, the premature relaxation of rationing and allocations for various materials, as well as the reactions against wartime controls, all contribute to the danger of postwar inflation. Some of these factors are beyond the reach of monetary mechanisms but certain it is that these authorities cannot vacate their responsibility for trying to stabilize prices and the level of activity within the economy. And even if deflation rather than inflation should come, the responsibility is not lessened. Nor would deflation end the problem of debt management for the Treasury, in order to help overcome deflationary tendencies, would doubtless put more and more securities in the banks as it covered its deficits by loans. Thus, irrespective of the course of trade cycle, the ownership of Federal securities by the banks is now the central problem in debt management.

Debt Repayment

At the present time ti looks as though there will be little net debt redemption within the next generation. Substantial reductions will be costly—far too costly it appears for taxpayers to desire debt redemption in preference to reduction of current taxes. For example, to retire a $250,000,000,000 debt in 30 years, by sinking fund methods, would require a fund of $6,162,000,000 per annum to which must be added interest payments of $5,000,000,000 annually, making a total debt-service charge of $11,162,000,000 per year. The effective interest rate assumed in this and other illustrations here given is 2%. If 20 years is selected as the retirement period the total charge jumps to $15,289,000,000 per annum. If a longer period is selected the annual charges may be reduced. It will cost $7,956,000,000 to retire a $250,000,000,000 debt and meet annual interest costs within 50 years. If 100 years is selected, the annual debt charge is $5,801,000,000 It should be remembered, however, that this is only arithmetic. The economic and political aritmetic of the problem is, however, that the longer the amortization period selected, the greater the certainty that the net debt reduction will be negligible. Other generations than our own may have different ideas concerning debt repayment; other and distant years may bring conditions under which debt expansion rather than reduction will be the order of the day. If there is to be net debt reduction, the period for amortization must, on the average, be short.

Since little reduction can be ac-

1 **Daily Statement of the U. S. Treasury**, Jan. 2, 1946. Gross debt as shown here does not include guaranteed obligations not owned by the Treasury.

2 At the close of the fiscal year on June 30, 1940, the gross national debt was $42,967,531,038. **Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1944**, p. 627. (Hereafter referred to as Annual Report of the Secretary of the Treasury.)

3 **Daily Statement of the U. S. Treasury**, Nov. 1, 1945, p. 9. On March 31, 1917 the debt was $1,282,000,000; on Aug. 31, 1919—its highest war peak—the best was $26,597,000,000.

4 **Ibid.**

5 Slater, Alvin, "United States Debt Pattern in War and Peace," **Survey of Current Business**, Vol. 25, No. 9 (September, 1945), p. 14.

6 See table above.

7 The dominance of Federal securities will also be affected by the form which private financing tends to take. To the extent that common stocks and similar equities replace debt instruments in corporate financing, the relative importance of the public debt may be further increased.

8 **Treasury Bulletin**, September, 1945, p. 44.

9 **Ibid.**, November, 1945, p. 36.

10 **Ibid.**, p. 49.

11 **Federal Reserve Bulletin**, November, 1945, p. 1124.

12 **Ibid.**

13 In August, 1945, the commercial banks owned $84,500,000,000 if the $261,261,000,000 interest-bearing U. S. securities—32.3% of the total. **Ibid.** Cf. "The crux of the Federal debt management problem, for at least the next decade, will be the position of the commercial banks, the volume and character of the Government securities that the course of events will lead them to hold, and the rate of return on such securities that the Treasury will pay." Charles C. Abbott, "Commercial Banks and the Federal Debt," **American Banker**, Vol. CX, No. 226 (Reprint), p. 2.

14 On Aug. 31, 1945, Treasury bills outstanding amounted to $17,038,000,000 of which $13,254,000,000, or 78%, were held by Federal Reserve Banks. Certificates of Indebtedness outstanding on that date were $34,430,000,000 of which $6,400,000,000, or 18.6%, were held by Federal Reserve Banks. On June 30, 1944, the Federal Reserve Banks held but $3,382,000,000 or 11.7%, of the outstanding certificates of indebtedness. Over time the amount and percentage of these holdings have been increasing. Cf. **Federal Reserve Bulletin**, November, 1945, p. 1138.

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complished over a long-extended period and since the cost of redemption in a short space of years is high—or seems so from the figures cited—so high that taxpayers seem certain, on the whole, to prefer tax reduction *now* to debt redemption in the years immediately ahead, the next alternative which suggests itself is the retirement of only a portion of the debt. How large that portion should be depends upon the beliefs of the proponents of retirement and is fixed primarily by notions as to the volume of taxation to be "suffered." One of the advocates of partial retirement thinks that one billion dollars per year devoted to paying off the debt, exclusive of interest, would meet the situation "as something to start on."[15] Such token payments would extend the debt redemption process over 275 to 300 years depending upon the size of the debt.[16] It is unrealistic, indeed, to talk about paying off the debt year after year at the rate of a billion dollars per annum, although in certain years that might be an appropriate payment.[17] It should be clear that if a real reduction in the national debt is to be accomplished in the years ahead, the payments will have to be much larger and the resulting amortization period will have to be comparatively short. Otherwise the plans may be upset by domestic or international strife, or even by recurring depressions. If the debt is only to be whittled at, it is better not to divert the national energies and attention from the important tasks of management.

This conclusion may be distressing to many Americans who believe in the inherent virtue of redemption of public debts, and who proudly cite the record of the United States in reducing its indebtedness from previous wars. Even so, substantial reductions in the Federal debt during the next few decades seem to be a remote possibility. We must rather find our consolation and pride in the wise management of the national obligations.

Conflicts in Debt Management

Even in the management of the debt there are important conflicts of interests among the parties involved. Private holders desire liberal interest payments and ready convertibility of securities into cash. The non-marketable issues are redeemable at fixed prices, funds for which must be secured either by taxation or new borrowing. The holders of marketable securities hope that the market may be supported, or other arrangements made, so as to prevent capital losses from accruing to owners who sell prior to maturity. They also hope that the guarantee against capital losses may be secured without bringing about reduction in the rates of interest paid. The Treasury should probably be little concerned with the price of its securities before maturity—why should it be—for non-marketable issues with guaranteed redemption values have been made available to purchasers with limited means, and to those who may be unlikely to hold to maturity. On the other hand, the Treasury may be induced to exhibit concern over the daily price of its securities, should market prices fall, by arguments that declines below par may affect the confidence of citizens and holders in the ultimate worth of government issues. Price declines give speculators an opportunity to urge market-maintenance policies upon the Treasury so as to enable the proponents to keep liquid without loss and to invest in high-rate long-term obligations which are, through the price pegging policies, made the practical equivalent of cash. The advance of prices above par may not bring forth the same concern from inexperienced owners, or from the Treasury, but the consequences of speculation may in extreme cases be disastrous.

This situation can be met by conversions to lower-yield securities, by open-market selling, by new offerings to absorb speculative funds, not to mention resort to other techniques. But one thing is of vital concern to the Treasury and that is so to manage its debt as not to contribute toward inflation, and if possible to set up counter pressures to prevent inflation. The Federal Reserve System joins the Treasury in this objective. Both agencies want stability of prices for all goods and services, as well as stability of prices for government bonds. At times, however, a choice between these may have to be made. Then, general economic stability ranks ahead of stability in bond prices.

The Reserve System, as you recall, was set up, among other things, to exercise price controls via bank reserves and discount rates; but under present conditions, as has been indicated, it can not make these controls effective.[18] The Treasury can utilize—with the consent of Congress—various tax measures to check inflation. But the current desire to keep taxes at a minimum may limit the effectiveness of possible fiscal controls. The Treasury desires also to keep interest rates on the public debt as low as possible—again to minimize taxes—and this "easy money policy" may augment the drift toward inflation, as well as run counter to attempts by the Reserve System to check expansion of private credits by forcing up private interest rates. What the Treasury does with respect to interest rates on the public debt may have an important influence on the course of economy in coming years. The adoption of certain policies may, in theory, bring the Treasury into conflict with the Federal Reserve System, though each authority in its own sphere is endeavoring to act in the national interest. This possibility of conflict may, of course, never eventuate, but that it could happen adds strength to arguments for keeping the Treasury and the central bank as independent agencies and tends to promote the development of wise policies by each.

Interest Burdens

As citizens and taxpayers we can easily understand the desire of the Treasury to minimize interest costs on the public debt. Treasury reports indicate that interest on the public debt rose from approximately $1,000,000,000 in the fiscal year 1940 to $3,600,000,000 in fiscal 1945.[19] The interest cost on a debt of $24,000,000,000 in 1920 was only $20,000,000 less than the interest paid on a $42,000,000,000 debt in 1940.[20] The ability to carry a greatly increased debt with but a slight increase in interest payments is a reflection of the general decline in interest rates since 1920 and of the expansionist policy fostered by the Treasury and the Federal Reserve System since the early years of the 1930 depression. The computed rate of interest on the Federal debt has declined steadily since 1921. In that year the rate was 4.339%;[21] by 1940 it had fallen to 2.518%,[22] and by the end of August, 1945 it was 1.945%.[23] During this period other long-term rates tended to decline, but no small part of the interest savings on the public debt have come from the increased use of short-term paper.

In spite of the marked decline in interest rates, the relative and absolute burden of debt, measured by interest payments, has greatly increased during World War II. Between 1940 and 1945 (fiscal years) interest payments increased 248% although the gross debt itself rose by 502%. Meanwhile the rise in national income was only 102%. The relative burden of the debt is, thus, much heavier than in the days preceding World War II. The data on which these ratios are based are shown in Table IV. This table also shows that the ratio of the interest payments on the public debt rose from 1.34% of national income in 1940 to 2.30% in 1945. The table, likewise, brings out how the relative burden of interest rises and falls as the aggregate of national income increases or declines. These ratios add testimony to the desirability for maintaining a high level of income in the future and give force as well to the desire of the Treasury to keep down interest costs on the public debt.

TABLE IV

Interest on the Federal Debt In Relation to National Income

(Amounts in Millions of Dollars)

Year	*National Income	†Gross Public Debt	‡Interest on Public Debt	Ratio of Interest on Public Debt to National Income (Per Cent)
1920	$69,700	$24,299	$1020.2	1.46%
1929	83,326	16,931	678.3	.81
1932	39,963	19,487	599.3	1.50
1940	77,574	42,968	1040.9	1.34
1941	96,857	48,961	1110.7	1.15
1942	121,568	72,422	1260.1	1.04
1943	147,927	136,696	1808.2	1.22
1944	160,700	201,003	2608.9	1.62
1945	157,000	258,682	3617.0	2.30

*Estimates of Department of Commerce, **Survey of Current Business**, April, 1944, p 15; **ibid.**, September, 1945, p. 18. Data for 1920 taken from Hoffenberg, "Estimates of National Output, Distributed Income, Consumer Spending, Saving and Capital Formation," **Review of Economic Statistics**, Vol. XXV, No. 2 (May, 1943), p. 156.

†**Annual Report of the Secretary of the Treasury**, 1944, p. 664; **Treasury Bulletin**, October, 1945, p. 3.

‡**Annual Report of the Secretary of the Treasury**, 1944, pp. 529-30; **Treasury Bulletin**, October, 1945, p. 2.

Reduction of Interest Burdens

How can these costs be minimized without at the same time creating other adverse tendencies, such as adding to the danger of inflation or credit expansion, for the economy as a whole?

The Treasury has, particularly in the last decade, endeavored to keep down the aggregate payments for interest, first in order to minimize resistance to recurrent deficits, then later to avoid tax increases made necessary by enlarged borrowings. The expansion of short-term loans was the first step.[24] When the war came, the Federal Reserve Banks pledged themselves to support the market for U. S. securities and to create the reserves needed by the banking system to assure the successful financing of the war.[25] Changes in reserves were adpoted, bank purchases of "governments" increased.[26] Option arrangements were set up to facilitate the sale of Treasury Bills at par to the Reserve Banks;[27] certificates of indebtedness were purchased by the Reserve System when necessary. Differential discount rates for advances secured by U. S. securities were also established.[28] War Loan Accounts were set up in the commercial banks to facilitate transactions with and on behalf of the Government against which accounts neither reserves nor deposit insurance had to be carried.[29] This made credit creation a certainty and an easy process. In short, the Reserve System did everything possible to facilitate the financing of the war on a low-cost basis, an operation which one writer has called "a 2% war."[30] The penalties in the form of nominal interest paid to those who prematurely redeem non-marketable bonds also kept down the interest burdens.[31] A by-product of these policies, of course, was the fact that during the war, in spite of the varying maturities for different types of paper, all Federal issues were practically the equivalent of cash, and almost equally liquid.

Many banks invested in Treasury bills only to resell the bulk of them to the Federal Reserve Banks. Some took on larger investments in the higher-yield certificates of indebtedness and purchased as many 2% ten-year bonds as they were allowed to buy, absorbing also, through market operations and private purchases, large volumes of 2½% or similar issues.[32] As the Treasury moved in the direction of issues with shorter maturities and lower yields, the banks sought to offset this trend and to protect their earnings by lengthening the maturities in their portfolios. Nevertheless for the banks as a whole there has been little change in average maturities of holdings of public marketable securities and little change in the average rate of return on government issues.[33]

Whereas short-term "governments" were, for a time, the principal secondary reserves of commercial banks, it soon became plain that any government securities, so long as the Reserve System was pledged to support the market, could be thus utilized. It became possible for the banks to secure both liquid investments and "high-rate" returns—of not over 2½% as a maximum on a few securities and of 1½% as an average[34]—from these practically riskless assets.[35] The Government, on the other hand, gets almost nothing from the commercial banks in return for interest payments in excess of the short-term rate, once it has made its long-term issues as liquid and as free from the possibility of capital loss as the short-terms. To this extent, therefore, the Treasury in financing the war did not exploit its dominance of the investment market as fully as it could have been done; nor did it borrow, in theory at least, at the lowest possible rate.[36]

This is no criticism of commercial banks; nor is censure directed at the Treasury. The banks patriotically, and with profit, subscribed to the offerings of the Treasury to the fullest possible extent. They also sold Federal securities to individuals and business firms, helped make effective payroll deduction schemes for the purchase of war bonds and in a variety of ways did everything they could to make the financing of the war a success. Had more securities been made available for bank ownership, they would have been purchased—by credits specially created, if necessary. Wisely the Treasury endeavored to hold bank financing to a minimum so as to avoid the creation of additional pressures for inflation. But even so, such credit creation as took place has created inflationary propensities for the future, and has made debt policy an important present problem both for the Treasury, the Reserve System and the rest of us.

The banks as the primary holders of the debt are in an unenviable position. If they expand credits which lead to speculative excesses or to price inflation, they will become targets both for increased administrative regulation and restrictive legislation. If they continue to be the recipients of large payments of interest on public debts based primarily on bank-created credit, involving small actual cost to them, they can expect adverse reactions from taxpayers, increased demands for lowered charges on public borrowings, and a flood of protests in Congress against them as institutional **rentiers.** Whatever happens, public reactions may be adverse to the commercial banks; they are apt to be blamed for creating conditions either beyond their control or which they have not proximately caused. In their own interest they, too, should give thought to the way the bank-owned debt should be managed.

Discharge of Banking Functions

In the predictable future there is not the slightest doubt that the commercial banking system is in a position both to continue to finance the Government and to provide the rest of the economy with its legitimate credit requirements.[37] On the other hand, there is the danger that banks, in considerable numbers, may sell government securities in order to secure funds to loan other borrowers offering more attractive rates of interest. Or, if sales are not made, banks may rely upon the discounting facilities available at the Reserve Banks so as to expand credits. This latter procedure may be controlled by the Reserve Banks but short of moderate changes in requirements as to reserves, the banking authorities can do nothing, under present laws, to force the banks to hold their large investments in U. S. securities. Nor can the Reserve Banks do more than persuade their members to renew subscriptions to maturing Federal issues. If they do not—added funds are available for other loans, funds which the Government must secure from other borrowers.

On the other hand, there is a danger that some banks, however few in number, enjoying the fruits of substantial interest payments

15 Cf. Fred R. Fairchild, "The National Debt," **Bulletin of the National Tax Association**, Vol XXXI, No. 2 (November, 1945), pp. 57-59.

16 It should be observed that the illustrative debt charges cited in immediately preceding paragraphs did not provide for retirements of the debt in excess of $250,000,000,000.

17 The reduction could be accelerated, of course, if interest savings were applied annually to the reduction of principal.

18 There may be some reason to wonder whether central banking controls can again be made effective. Cf. Williams, John H., "Federal Budget: Economic Consequences of Deficit Financing," **Am. Ec. Rev., Vol.** XXX, No. 5, pp. 54-55 (February, 1941).

19 Cf. **Treasury Bulletin**, October, 1945, p. A-6.

20 **Annual Report of the Secretary of the Treasury**, 1944, pp. 529-30, 627.

21 **Ibid.**, p. 713.

22 **Ibid.**

23 **Treasury Bulletin**, October, 1945, p. 27. The rate on the public debt and guaranteed obligations was 1.943%; the rate on the guaranteed obligations alone was 1.251%.

24 Cf. Leland, "Short-Term Debt, the Banks and the Future," Sixth Annual Minnesota Bankers Conference, University of Minnesota, Minneapolis, Feb. 13, 1945.

25 Cf. **Thirtieth Annual Report of the Board of Governors of the Federal Reserve System**, 1943, p. 12.

26 **Twenty-ninth Annual Report of the Board of Governors of the Federal Reserve System**, 1942, p. 17.

27 **Ibid.**, pp. 14, 16; **Annual Report of the Secretary of the Treasury**, 1942, p. 25.

28 Cf. **Federal Reserve Bulletin**, November, 1945, p. 1114.

29 Act of Congress, April, 1943. **See Annual Report of the Secretary of the Treasury**, 1943, p. 79.

30 Paul A. Samuelson, "The Effect of Interest Rate Increases on the Banking System," American **Economic Review, Vol.** XXXV, No. 1 (March, 1945), p. 26.

31 For example, note scedule of redemption values on **Series E Savings Bonds.**

32 The eligibility of banks to purchase various Federal obligations was discussed in Leland, "The Impact of the National Debt Upon Banks and the Capital Market" **Commercial and Financial Chronicle, Vol.** 162, No. 4410, p. 634 (Aug. 9, 1945).

33 **Monthly Review of Credit and Business Conditions, Federal Reserve Bank of New York, Vol. 27, No. 10**, p. 75 (October, 1945).

34 Cf. Discussion of "Bond Interest and Bank Earnings" infra.

35 Cf. Paul A. Samuelson, "The Turn of the Screw," **American Economic Review**, Vol. XXXV, No. 4 (Sept., 1945), p. 675.

36 Cf. "In truth, the United States Treasury and Federal Reserve System have missed a great opportunity. This is a 2% war. **It should have been a 1% war.** Literally, nobody has argued that the interest rates offered have had any substantial effect upon private consumption or investment in a war world of direct controls and inflationary gaps. They may have had some minor effects upon the form in which wealth is held. . . . I hope I am giving away no secret when I say that the American authorities have in this (fortunately relatively unimportant) sphere pursued an uninspired policy whose full implications will be felt for a long time to come." Samuelson, **loc. cit.**, pp. 26-27.

37 Cf. Leland, "The Impact of the National Debt Upon Banks and the Capital Market," **Commercial and Financial Chronicle**, Vol. 162, No. 4412, p. 753 (Aug. 16, 1945).

by the United States, and lured on by the possibility of long-continued interest payments may prefer to "clip Government coupons", so to speak, than to continue to assume the customary commercial risks.[38] This danger is increased both as banks are able to invest in the higher-rate long-term "governments" and as liquidity is assured by a guaranteed market for these investments. The reality of this danger depends upon the need for private capital, upon the zeal developed for profits, as well as upon psychological reactions of bankers, in the years ahead.

Bond Interest and Bank Savings

Whether the banking system will voluntarily aid the Treasury in reducing the carrying charges on the public debt is difficult to predict. From the point of view of the banks themselves the question is whether they can afford **not to reduce** the cost of credit creation to the public treasury. This credit-creating power, lodged under the trusteeship of the banks, is fundamentally a Government function to be exercised for the common good. When the people, through their government, borrow from themselves, through banks created by the government, the cost of such borrowing is a matter of national concern. The interests of the banks bend to the interests of the group of which they are a part.

As of Aug. 31, 1945, commercial banks held slightly over 30% of the outstanding interest-bearing debt.[39] Thirty per cent of the interest paid on the public debt during the fiscal year 1945 (ended on June 30, 1945) would amount to $1,085,000,000.[40] The exact interest paid to various holders of the debt is not available and this estimate exaggerates the amount of such payments to commercial banks.[41] On the basis of data on bank earnings for the first half of the year 1945, bank earnings **from all securities** would be about $1,027,000,000, if converted to a comparable fiscal year basis.[42] In calendar year 1944, when total interest payments on the debt were $3,001,806,000, [43] the banks were paid approximately $884,540,000 for the credits created primarily to finance the war.[44] This was 29.5% of total interest payments made by the Treasury. It was, however, 47.7% of bank earnings for the year; yet it constituted by far the most important single source of earnings and a larger part of bank earnings than ever before. As a matter of fact, interest and dividends on securities were more than double 1929 returns from this source, and this in spite of the fact that the average return on bank investments was 4.7% in 1929, and only 1.5% in 1944.[45] Such a return few people could call excessive. In 1944, banks with a capital of $6,712,000,000 loaned the United States Government $60,324,000,000 for a charge of about $884,540,000. Total bank expenses in that year were $1,127,000,000—85% covered by interest payments on U. S. securities. This seems like a high price to pay for the manufacture of credit for use of the Government under powers granted by that same Government. The price seems too great, in the bargain, for making relatively riskless loans. But it must be added that it is only fair that the Government should pay a part of the cost of operating the currency, check clearing and credit mechanisms of the banking system. These services are vital to the Government as well as to citizens and their enterprises. What the Federal contribution should be is a public policy question, but it should be decided as a distinct issue and not wrapped up as a subsidy disguised under the payment of interest on the public debt—unless it is decided that this is the best way to accomplish that purpose and unless it is generally realized that this is being done. The claims of other social institutions for interest-subsidies need also to be considered.

Aims of Debt Management

In the management of the debt, the Treasury is dominated by two motives: (1) to prevent inflation or deflation—in other words, the stabilization of the economy; and (2) minimizing the carrying cost of the debt consistent with assuring the credit standing of the government. The Federal Reserve System is also interested in the attainment of these objectives. It will have a weather eye, too, on the welfare of banking institutions and the way they perform expected functions. Both agencies, therefore, are vitally concerned with preventing the bank ownership of governments from adding fuel to the lurking potential dangers of inflation **via** monetary expansion.

Curbing Inflation

The tools at the disposal of the Treasury for curbing inflation are tax policies, expenditure reductions and debt management. Taxes now seem to be in process of rapid reduction and whether they could be quickly increased to meet inflationary dangers may be doubted. Expenditure reduction is liquidating the wartime machine and that will help; but once expenditure levels are stabilized, little additional reduction will be possible even for cyclical gains. Perhaps debt management may become the most important remaining tool for countering inflation.

The Federal Reserve Board can change discount rates, raise bank reserve requirements of member banks and carry on open market operations in Federal securities. It can abandon the support of the market for government issues which it has effectively maintained during the war. This latter reversal of policy would permit the market rates on "governments" to find their own level and if all "governments" were not equally liquid, the banks might turn from a preference for long-terms to securities with shorter maturities. This would tend to reduce bank earnings and might lower the computed interest rate paid on outstanding issues, if the relative volume of short-terms was thereby increased; but this would not help the Treasury in meeting its maturity problems, nor reduce the inflation potential. It would, in addition, subject the Treasury to increased dangers from renewals as short-terms replaced issues with longer maturities. This policy would also increase the independence of banks. When they wanted to increase cash they would only have to refuse to renew subscriptions to maturing issues. The Treasury would have to pay them and secure new funds elsewhere.

Nor would payment of outstanding issues solve the problem. The deflationary effect of taxes imposed for the purpose of retiring debt would be salutary—the heavier the personal taxation, if properly spread, the greater its anti-inflationary force. But if the proceeds were immediately paid over to holders of the debt, the funds placed at their disposal might easily feed speculative booms or add to the volume of the then current spending, or by investment or spending cancel the effect of the taxes imposed for debt redemption. All of which argues for the imposition of taxes for debt repayment during booms but with actual repayments deferred until depressions occur, at which time the increased payments would be most beneficial to the economy. If, however, debt payment should be attempted during inflationary periods, or periods, tending thereto, non-bank holders will receive cash for spending or reinvestment, while banks will be able further to expand their credits. The saving feature of the repayments may well be the fact that the deflationary effects of the necessary taxes may not be completely offset by the delayed debt repayments. A gain in the future would come from a reduction of taxes for interest. If the payments, however, were made with borrowed money, the current result would inflationary.

So it appears that both the Treasury and the Federal Reserve Board must give increasing attention to the accumulation of government securities by commercial banks, as well as to the type of securities held. Since the marketable securities owned by the banks can be used **at their discretion** to support a substantial credit expansion, a way must be found to eliminate this potential danger. As various issues mature, the Treasury can, of course, offer the banks new issues redeemable in case of need, or subject to discount at the Reserve Banks, but otherwise not freely marketable. The banks would have to be willing voluntarily to accept them and this process of exchanging securities at maturity would be spread over many years. There would be no uniformity in the treatment of banks. How each bank would be affected would depend upon its own investment portfolio. This suggestion does not seem to meet the current problem either from the standpoint of the banks or the Treasury. Nevertheless, irrespective of what else may be done to solve the central problem involved in the bank ownership of governments, the Treasury will change the form and terms of issue of new offerings given in exchange for maturing series whenever it feels it is advantageous to do so. This is one of the criteria of wise debt management.

In the process of managing the debt, the Treasury may shift from long-term high-rate obligations to short-term low-rate securities as successive issues mature.[46] This will lower the average interest rate but it will also necessitate the frequent renewal of obligations, making the Treasury more and more subject to the vagaries of the money market, and the dangers flowing from inflationary tendencies. And should the commercial banks be reluctant to renew their subscriptions, an embarrassed Treasury would have to turn to individual or institutional borrowers or directly to the Reserve Banks for financing. The funding of long-term debt with short-terms may be illusory in spite of the interest reduction achieved. It places the advantage in government financing with private banks rather than with the Treasury. Under present circumstances it adds to inflationary dangers rather than minimizing or postponing them.

In the years ahead it is probable that the banks will be the primary holders of the public debt. Consequently, the securities held should be of such a type as to negative the credit pressure toward inflation; they should be in such form as to facilitate the management of the debt by the Treasury and should carry an interest rate commensurate with the risks and costs involved. The terms should be of a kind that would result from free bargaining where both parties knew all of the problems, costs and issues involved. The arrangements should not be in the nature of forced loans even though the banks know they will have to finance the government for years, and the government knows it has ultimate control over the banking laws and could coerce the banks into doing its will. Nor should the problem of providing special securities be solved by means of special taxes [47] or other arrangements under which the banks would be driven to elect the acceptance of some conversion scheme which accomplished the desired objectives.

Rather what is desired is such complete understanding of the fact that present bank holdings of "governments" so free the banks from central credit controls that in the interest of the nation a restitution of controls is essential; that if inflation develops the banks will suffer from the aftermath along with everybody else; that the banks, if they are to remain comparatively free institutions, cannot afford to accept as much interest on public loans as they have been receiving, nor permit the payments to increase; that they will continue to have large investments in government obligations for as long into the future as we can foresee and that there is a strong probability that the holdings will increase both absolutely and relatively in the future. Therefore, as interested parties, the banks and the government should endeavor to work out an equitable solution—and any solution will doubtless require legislation—before parties with smaller interests and less understanding force the issue or present unsatisfactory remedies. The course here suggested requires patriotism, self-sacrifice and courage.

Two Proposals

There are two solutions which seem to me to be most profitable for consideration: (1) legislation providing a special non-marketable security for bank ownership;[48] (2) the payment of outstanding bank-held obligations with Federal Reserve credits, and the readjustment of reserve requirements for all banks with the payment of interest on reserve balances. Let us briefly examine each proposal.

Special Securities for Banks

If commercial banks are to be given a special security in exchange for a substantial portion of the United States obligations they now hold, the new issues should be non-marketable but redeemable by the banks in case of deposit loss. They might similarly be eligible for discount at the Reserve Banks at rates established, from time to time, by the Reserve System. These securities should bear no definite maturity date but could be paid at the pleasure of the government. The rate of interest paid would be low but would have a close relation to the cost of providing credit, or checking facilities, and the riskless nature of Federal obligations. This rate would apply only to the special non-marketable securities the banks would be required to hold. The amount of such holdings would have to be fixed by some formula having a definite relation to the volume of deposits or the increase in deposits during a selected period. For purposes of credit control this percentage could be varied from time to time. The interest rate paid could also be made to vary as economic conditions changed and as it became desirable to cause banks to hold more or less than the minimum reserve in these securities. What this plan amounts to is not a freezing of "governments" in the banks but rather the establishment of a minimum reserve in government bonds applicable to all banks. It should aply, therefore, to all commercial banks rather than merely to member banks in the Federal Reserve System.

An arrangement of this type would tend to re-establish the discount rates and reserve ratios fixed by the Reserve Banks, as credit controls by the member banks. Both could be changed as conditions required. The discounting operations would enable individual member banks to acquire cash when needed; the reserve requirements would tend to regulate the aggregate volume of credit. By not being required to carry all government securities in the special issues, just detailed, the banks would retain some flexibility in buying and selling their marketable "governments," but the percentage of securities which could be traded in on the open market would be a relatively small part of the total investment portfolio—so small, in fact, as not to endanger the general stability of prices. This plan, moreover, would re-establish open market operations in Federal securities as a credit control mechanism.

The plan just described resembles, in certain respects, the Treasury Deposit Receipt borrowing inaugurated in England in July, 1940.[49] The proposal is, thus, not completely without precedent. It seems to have been operating satisfactorily both for the Exchequer and for the banks.

Objections to American adaptations of the plan will, however, be numerous. Any departure from purely voluntary arrangements may be opposed, unless the various parties can come to some agreement as to what should be done. Some banks will oppose any program which seeks to reduce interest rates, not merely because of possible effects on rates to commercial borrowers but also because of the probable reduction of long-run earnings. Others may object to a new reserve requirement and to the loss of investment flexibility. But in the nature of the case the advantages and objections must be weighed with the decision resting on the ultimate advantage to the economy as a whole, rather than to the government alone.

Direct Borrowing from Federal Reserve

A second suggestion is to permit the Treasury to borrow directly from the Reserve Banks whatever funds are required to finance the government. In the coming years, therefore, the Treasury would borrow from the Reserve System enough to pay off its obligations to the commercial banks. Then to prevent the payments so made, or the excess reserves so provided, from being exhausted in credit expansion, the Federal Reserve Board would be expected to raise the reserve requirements of member banks and apply a like requirement to non-members.[50] On the reserves so required, interest would be paid

38 **Ibid.**, p. 754.

39 See Table III, supra.

40 Total interest on public debt for fiscal 1945 was $3,617,000,000. **Treasury Bulletin**, November, 1945, p. 2.

41 The cost to the Treasury is not the same as the return to the Banks. Many of the bank investments were purchased on the market at a premium. Cf. **Monthly Review of Credit and Business Conditions**, Federal Reserve Bank of New York, Vol. 27, No. 10, p. 75 (October, 1945).

42 Member bank earnings from securities amounted to $960,000,000 in 1944 and to $547,000,000 in the first half of 1945. If half of the former is added to the latter, to convert to a fiscal year estimate, the total is $1,027,000,000. Cf. **Federal Reserve Bulletin**, November, 1945, p. 1106.

43 **Daily Treasury Statements.**

44 This figure was obtained by apportioning to interest on U. S. securities 92.16 per cent of the interest and dividends on securities received by member banks. Total securities held were $65,455,000,000; U. S. securities were $60,324,000,000, or 92.16% of total. Earnings from interest and dividends on securities amounted to $959,787,000; 92.16% thereof was $884,539,699. Cf. **Federal Reserve Bulletin**, May, 1945, p. 491.

45 **Banking and Monetary Statistics**, Board of Governors, Federal Reserve System, 1943, p. 264; **Federal Reserve Bulletin**, May, 1945, p. 498; **Ibid.**, November, 1945, p. 1106. The annual rate of return on securities remained at 1.5 per cent during first half of 1945.

46 For example, on Sept. 1, 1945 the Treasury refunded 2¾% Treasury Bonds of Sept. 15, 1945-47 with a ⅞% certificate of indebtedness. Cf. **Treasury Bulletin**, October 1945, p. A-10.

47 Cf. the "Easterday Plan" involving the use of excess profits taxes. The following pamphlets by P. R. Easterday, Chairman of Board, The first National Bank of Lincoln, Nebraska, indicate the evolution of this idea: "A Layman Looks At A 300 Billion Debt and Seeks Help from Our Economists" (August, 1944); "What Shall We Do With Our 300 Billion Debt?" (September, 1944); "A 300 Billion Problem," (December, 1944).

48 Such a suggestion, under which the special securities would constitute an additional bank reserve, was made by Seltzer, Lawrence H., "The Problem of Our Excessive Banking Reserves," **Journal of American Statistical Association**, March, 1940, pp. 24-36. Cf. also Seltzer, "Discussion" in Implemental Aspects of Public Finance, **American Economic Review**, Vol. XXXIV, No. 2, Part 2 Supplement, p. 136 (June, 1944).

49 Cf. "Modern Credit Technique," **The Banker**, April, 1942, pp. 11-20.

50 Any plan to be adopted should apply to all commercial banks.

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The Government, the Banks And the National Debt

(Continued from page 283)

to help defray the expenses of the banking system. Both the reserve requirements and the interest paid on reserve balances could be made variable at the discretion of the Reserve Banks, with Treasury approval, to secure the appropriate credit policies needed by the economy. These requirements, plus the expenses of the Reserve System, would, or could, determine what the Treasury paid the Reserve System for its direct loans.

The effect of such payments would be to make interest on government obligations more a matter of banking—or credit creation—costs than of market competition with monopoly elements present. To complete the socialization of interest on the public debt would require the reenactment of a franchise tax on Federal Reserve earnings, or the adoption of a provision permitting the transfer of surplus earnings to the Treasury. Whatever advantage these arrangements possessed would eventually accrue to the people whose collective credit was being utilized. If, at times, it proved to be more costly than the present contractual system, at least the incidence of the cost could be defended as being fair.

This plan, while it sounds radical, is really only an extension of the present system under which the Treasury has sold Treasury bills to the banks which, in turn, have sold them to the Federal Reserve Banks. The Treasury might as well have borrowed directly from the Reserve System in the first pace. Open market operations under which the central bank purchases government securities—certificates of indebtedness, notes or bonds—operate similarly. At present the Treasury can borrow as much as $5,000,000,000 directly from the Reserve Banks[51] but has borrowed only relatively small sums for short terms on a few occasions under this law.[52] The proposal under discussion would simply extend these borrowings and make them the customary method of acquiring funds.[53]

In actual operation, this plan would eventually transfer most of the public debt from commercial banks to the Reserve Bank, as purchases were effected. This plan will be opposed by many as being merely a monetization of the entire public debt; by others as a device for taking all brakes off of public borrowing because of the elimination of market evaluation of credits; by still others as a means for avoiding debt payment at the expense of the monetary system. Some will be sure that the plan leads to inflation rather than being a safeguard against it. The plan might prove beneficial in operation or it might be a calamitous failure. But so can any program of debt management in the years ahead.

Nevertheless this plan and the various "sterlization" schemes to remove the dangers inherent in bank-held government paper need to be given serious consideration. Just how to treat bank ownership of government securities is at the moment, the central problem of debt management. The problem needs to be solved in a fashion to avoid adding fuel to other forces trending toward inflation. Otherwise to the credit-creating costs of financing the war will have to be added the costs of contributing toward postwar inflation with its inevitable aftermath of losses and liquidation. This price we need not pay. But to avoid it we must develop an equitable preventive program. We can develop such a program only by working at it.

51 Title 12, U. S. Code Anno., 355. Amendment of Dec. 28, 1945 extended to June 30, 1946 the power of Federal Reserve Banks to purchase up to $5,000,000,000 in "governments" directly from Treasury.

52 On sixteen occasions in 1942 and thirty-nine times in 1943, the Treasury borrowed varying amounts as high as $1,300,000,000 direct from the Federal Reserve System on one-day certificates, "principally to avoid temporary decline in member bank reserves around income tax dates." Due to more adequate Treasury cash balances no such direct borrowing took place during 1944 or 1945. **Twenty-Ninth Annual Report of the Board of Governors of the Federal Reserve System**, 1942, p. 16; **Thirtieth Annual Report**, 1943, pp. 16, 67. **Annual Report of Secretary of the Treasury**, 1943, p. 57; **ibid.**, 1944, p. 67.

53 If it should ever prove necessary or desirable, this plan could be so modified as to make it applicable to non-bank holdings. This might involve the transfer of non-bank owned U. S. securities to the Federal Reserve System and might be a final step in the monetization of the debt. This plan has no connection with the plan described above. Moreover, a discussion of the monetization of the public debt is so large a topic that its consideration is reserved for another occasion. Interested readers should see Simons, Henry C., "On Debt Policy," **Journal of Political Economics**, Vol. LII, No. 4, pp. 356-61 (December, 1944).

Virgin Islands to Have Negro Governor

The first Negro Governor of the Virgin Islands, Judge William Henry Hastie, Dean of the Howard University Law School, was nominated for the post by President Truman on Jan. 5, according to Washington advices to the New York "Times." If the nomination is confirmed by the Senate there is some speculation as to what is to become of the present Governor, Charles Harwood, appointed by President Roosevelt, who is not known to have resigned.

Judge Hastie was at one time adviser to former War Secretary Stimson, but he resigned the post in January, 1943, the "Times" stated, basing his action on "reactionary policies and discriminatory practices" of the Army Air Forces against Negroes. He has already served the United States in the Virgin Islands, where the population is preponderantly Negro, in the capacity of Federal District Judge, from 1937 to 1939. From 1930 to 1937, according to the "Times," he was a member of the faculty of the Howard University School of Law, and was an Assistant Solicitor of the United States Department of the Interior from 1933 to 1937 when he went as Judge to the Virgin Islands.

Steel Industry Employment Increased Sharply in Nov.

Average employment, total payrolls and average hours of work in the iron and steel industry were higher in November than in October, according to the American Iron and Steel Institute which further announced as follows:

The industry's November payroll totaled $122,796,800, compared to the October total of $121,258,100, and the November 1944 total of $143,136,800.

The average number of employees in November was 532,600, against the October average of 521,700 and the November 1944 average of 564,200 persons.

The average earnings of employees receiving hourly, piecework or tonnage wages was 122.0 cents in November, against 119.6 cents in October and 120.2 cents in November 1944.

Wage earners worked an average of 41.9 hours per week in November, against 41.7 hours per week in October, and 47.7 hours per week in November 1944.

The British Loan

(Continued from first page)

action by the American Congress.

In the last analysis, it is the Congress of the United States who will determine whether this loan will be made. The Congress has the duty and must accept the full responsibility for ratification or rejection. This duty that now devolves on the Congress is profound rather than perfunctory in character. Possibly out of deference to the President and the Executive Departments of the Government, members of Congress should, to some degree, indulge the assumption that the loan should be approved; but the Congress is not required, nor should it feel obligated, to agree and consent until and unless, after careful examination and study of its purposes and the terms of the agreement entered into, it is convinced of both the justification and wisdom of giving its consent.

In my opinion, there are at least four major important factors that the Congress should weigh carefully in making its decision. These factors may be identified and emphasized in terms of the correct answers to the following four questions:

(1) Does there exist a real necessity or urgency for the making of the loan?

(2) Does our Government possess the resources and ability to provide this assistance, taking into account its present financial and economic condition and the obligations it has already incurred and others that it will have to assume—that is, can this loan be made without imperiling or materially impairing our own economic security?

(3) Under the terms of the agreement, will the making of the loan serve the best interests of both governments with reciprocal or mutual benefits, material or otherwise, of comparable value to each?

(4) Can and will the British Government be able to meet the obligations it assumes, and will the loan be repaid?

If affirmative answers to the foregoing questions can be supported by the facts and established conditions pertinent to the issue, then the loan should be made with Congressional approval. If the answers to all of the above questions are negative, then, of course, the loan should not be made. If the answer to any one of the above questions is negative, it is very doubtful that the Congress should give its consent to the loan agreement.

On this basis, I think the Congress can and should determine its duty, decision and action. In its inquiry and examination into the pertinent facts and existing conditions, it should be deliberate and cautious. There is no special emergency or distress attending this transaction that necessitates or suggests justification for hasty action.

As above stated, this is the first of a number of requests and applications of this character that our Government will have to consider. Other countries, members of the United Nations, who were also our allies during the war, have already unofficially and informally indicated they would apply to our Government for loans in large amounts. Therefore, we should recognize that in granting a loan to Britain, we are possibly establishing a precedent that may by implication obligate us to accord comparable favor and treatment to other Allied Nations, whose distress and need for financial assistance are equal to or greater than that of the British. The fact that we do not have at present any other negotiated loans with foreign countries pending before the Congress for approval does not and should not preclude us from taking into account such applications for other loans as can reasonably be anticipated. In fact, it should be borne in mind that many countries are looking to us expectantly for financial aid. As concrete evidence of this, I cite statements recently made by Rene Pleven, Finance Minister of France, and Christian Pineau, Spokesman of the Constituent Assembly's Finance Committee. M. Pleven, after pointing out that France had gold reserves and public and private assets abroad in the amount of 1.8 billions of dollars, then stated: "It is absolutely necessary to add large external credits, especially dollars, to these gold reserves and public and private assets abroad." M. Pineau stated it more bluntly by saying: "The whole problem (for France) is to obtain, apart and in addition to Bretton Woods, a credit agreement with the United States, **which is going to be the chief sustainer of Europe.**" He further said "that the United States credits (to France) should follow the pattern of the one with the British." These expressions are typical of the desires and hopes entertained by many foreign governments. And the expression of M. Pineau, that the United States is "going to be the chief sustainer of Europe," is most significant in that it is indicative of the state of mind of foreign governments and of the many appeals and large demands that will be made on our own Government for post-war assistance in the immediate future for loans and grants-in-aid of world economic reconstruction and rehabilitation.

In contemplation of these strong appeals from other countries for loans totaling many billions of dollars, it occurs to me that the better part of wisdom suggests that the Congress defer action for a reasonable length of time on the British loan and await developments with respect to other applications in the hope that before we enter upon this gigantic venture of substantially financing world rehabilitation or becoming "the chief sustainer of Europe," that we view the over-all picture and reckon with the possibilities of our own financial ability to assume the additional tremendous burden that such a policy and program ultimately will entail.

It is argued that by making such loans we are pursuing a good neighbor policy that will result in building good will and in strengthening the bonds of friendship existing between our country and those for whom we provide such assistance. Granting, without conceding, such results always ensue from the loaning of money, could we afford to strengthen the bonds of friendship existing between America and Britain by making a loan to her, then later, refuse to make a comparable loan to Russia, France, China, Poland, and others, and thereby incur their displeasure and impair instead of strengthen the bonds of friendship we have have with those countries.

I, therefore, contend that the British loan cannot advisedly be considered entirely apart from and independently of similar demands that will be made on us by other governments. We must give some consideration to them now, although the have not yet been submitted officially. It is also most appropriate, if not compelling, that we "Stop, Look, and Listen" before we go too far.

Upon inquiry, I find that according to the best and most accurate information available, our National debt of 262 billions of dollars, as of Sept. 21, 1945, is some 70 billions of dollars in excess of the aggregate National indebtednes of all of the other government members of the United Nations Organization combined. This prompts me to ask, "Can we become 'the chief sustainer of Europe?'" "Or can we afford, in view of the present obligations and financial conditions of our own Government, to make large loans on a broad scale to all or many of those nations who were our principal allies in the recent war, without substantial assurances that such loans will be repaid?"

In considering these important facts and questions, it is well for members of Congress to remember that we are not making these loans from capital reserves or surpluses in the United States Treasury. They must be made from borrowed money out of proceeds now on hand derived from Victory Bond sales, or, from proceeds derived in like manner from future Bond sales to the American people. In fact, if such foreign post-war loans as we may make should not be repaid, the action of the Congress in approving the loans will be tantamount to spending a percentage of the wages, earnings and profits to be exacted by future taxation from the American people, not only of this generation but of the next and others to follow.

Much appropriate comment might be made regarding the critical attitude and public expressions by high ranking British officials. If they resent the terms and conditions of the loan now as strongly as their protests and criticisms indicate, how much more favorable and tolerant can we expect their attitude to be when the loan begins to mature and the day of payment is at hand? We are made to wonder if while accepting the loan with its attending obligations they "have their fingers crossed".

The foregoing considerations prompt me to defer a final decision on the merits of this proposed loan to Britain. I need and shall seek information that will enlighten me sufficiently to give, if possible, the true answers to the foregoing basic questions and issues presented by this proposal.

Parcels to Philippines

Postmaster Albert Goldman announced on Dec. 31 that the postal administration of the Commonwealth of the Philippines have requested that due to lack of transportation and storage facilities the restoration of the regular limits of weight and size and the frequency of mailing of parcels from the United States to the Philippine Islands be postponed to a later date. The advices added:

"Therefore, the previous instructions issued, insofar as they pertain to the limits of weight and the size of fourth-class matter addressed to the Philippine Islands are rescinded. Hereafter no parcel exceeding 11 pounds in weight or more than 18 inches in length or 42 inches in length and girth combined shall be accepted for mailing when addressed to the Philippine Islands. Not more than one parcel per week may be sent by the same sender to the same addressee.

"Registered letters and registered packages may now be dispatched to Manila and all provincial capitals in the Philippine Islands. Previously the registry service was limited to the islands of Leyte, Samar, Mindoro, and Luzon."

Parcels to Albania, Hungary

It was announced on Jan. 8 that ordinary (unregistered and uninsured) parcel post service to Albania and Hungary was resumed subject to the same conditions as were in effect prior to the suspension of the service. The parcels will be subject also to the following further restrictions:

1. Only one parcel per week may be sent by or on behalf of the same person or concern to or for the same addressee.

2. The weight of each parcel is limited to 11 pounds.

3. Contents are limited to nonperishable items which are not prohibited in the parcel post mails to Albania.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA.—**Edgar C. Parrott** has become affiliated with **Stockton Broome & Co.**, First National Bank Building. He has recently been in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Allan G. Bohmer** has rejoined **Bohmer-Reinhart & Co.**, Traction Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Daniel S. Campbell** has become connected with **Field, Richards & Co.**, Union Central Building. He has recently been in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Robert W. Hughes** and **Hyman B. Klayman** have rejoined **W. D. Gradison & Co.**, Dixie Terminal Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**R. Phillip Herron** has become associated with **Hill & Co.**, Carew Tower. In the past he was with W. H. Babbitt & Co. and C. J. Stubner & Co., in Pittsburgh.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Justin Meyer**, formerly with Merrill Lynch, Pierce, Fenner & Beane, has become affiliated with **Weiss, Work & Co.**, First National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**James J. Drnek** has joined the staff of **C. J. Devine & Co.**, Union Commerce Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**James T. Conners** is now with **Central Republic Company**, Union Commerce Building. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Francis J. Patrick** has again become associated with **Paine, Webber, Jackson & Curtis**, Union Commerce Building, after completing service in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Richard D. Palmer** is with **Gunn, Carey & Co.**, Union Commerce Building. Prior to serving in the armed forces he was with Ledogar Horner & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Samuel C. Crobaugh** has rejoined **Prescott & Co.**, Guardian Building, after completing military service.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Gordon M. Hull** has joined the staff of **Slayton & Company, Inc.**, of St. Louis.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO — **George P. Johannes III**, **Robert A. Peirce**, and **Russell V. Petersen** have become associated with **Slayton & Co., Inc.** of St. Louis.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**William P. Brown** has been added to the staff of **Baker, Simons & Co.**, Buhl Building. He was formerly in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Edward R. Gaynor** is affiliated with **Chapin, Smith & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Gregory Bader, Jr.**, has become connected with **Crouse & Co.**, Penobscot Building, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Matthew B. Whittlesey, Jr.**, is with **Carr & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Herbert L. Nelson** is with **Marxer & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Thomas F. Willmore, Jr.**, has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, Buhl Building, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**John Gordon, Jr.**, is with **Moreland & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Wagar A. Glas** has joined the staff of **Watkins & Fordon, Inc.**, Penobscot Building, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**William D. Snyder** and **Norman G. Thursby** have been added to the staff of **S. R. Livingstone & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Henry F. Lyons** is affiliated with **A. H. Vogel & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF.—**James L. Johnson** is with **Walston, Hoffman & Goodwin**, Bank of America Building.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—**Arnold C. Ver Lee** is with **Bradbury-Ames Company**, Grand Rapids National Bank Building. He was previously in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—**John A. Smith** and **John E. Veneklasen** have joined **King & Co.**, Michigan National Bank Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—**Edward R. Golden** has become associated with **Dudley H. Waters & Co.**, Association of Commerce Building. He was previously with the OPA.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Henry C. Kohn** is with **Brainard, Judd & Co.**, 75 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Raymond T. Hickey** is with **Eastman, Dillon & Co.**, 75 Pearl Street. He was previously with Turner, Sachs & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Frank K. Woodworth** has become affiliated with **Smith, Barney & Co.**, Hartford-Aetna Building. In the past he was with Cooley & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — **William N. Lindsay, Jr.**, is with **Robert S. Morris & Co.**, 100 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—**Robert H. Springer** has become connected with **City Securities Corp.**, Circle Tower.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—**Chester A. Parrish** is with **N. Leonard Cohen & Co.**, 8 East Market Street.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND. — **James S. Clark** has joined the staff of **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

JACKSON, MICH.—**Charles S. Harmon** has become associated with **Investment Securities Company**, National Bank Building. He was with Commercial & Savings Bank of Albion.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Alva N. Dilley, Jr.**, **William G. Kerner**, **Carleton H. Lamb**, **Benjamin Naidorf**, and **Bonnie G. Shultz** have become connected with **Herrick, Waddell & Co.**, 1012 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — **Harold D. Knight** is with **McDonald & Company**, 1009 Baltimore Avenue. He was previously with the Naval Reserve.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — **Elmer Watson Pauly** has joined the staff of **Prescott, Wright, Snider Company**, 916 Baltimore Avenue, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Gideon S. Peirce** is with **Bateman, Eichler & Co.**, 453 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Kauko A. Aho** is with **Quincy Cass Associates**, 523 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Geo. A. Palmros**, **James R. Plant**, and **James W. Selzer** are now connected with **Cruttenden & Co.**, 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Jas. T. Wolfe** has been added to the staff of **Gross, Van Court & Co.**, 639 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Geo. B. Hull** is now with **Chester L. Noble & Co.**, 650 South Spring Street. He was with District Bond Company in the past.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Lloyd M. Ibsen**, **Harold T. Nixon**, **Elbert J. Porteous**, **Leslie W. Sachs**, and **Robert L. Thompson** are with **Slayton & Company, Inc.**

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — **Lee Hodgson Wood** is with **Dean Witter & Co.**, 634 South Spring Street. He was formerly with Buckley Brothers.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—**William N. Thompson Jr.** is with **Merrill Lynch, Pierce, Fenner & Beane**, 818 Gravier Street.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—**Edmund B. Glenny** has become connected with **Wheeler & Woolfolk, Inc.**, Whitney Building. He was formerly with Woolfolk, Huggins & Shober.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA. — **Max Ibers** is with **Weil & Co.**, Richards Building Arcade.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—**John W. O'Neill** is with **Frank Knowlton & Co.**, Bank of America Building.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—**Victor E. Caffee** and **Carl M. Cunningham** have become associated with **John M. Douglas**, Insurance Building. Mr. Cunningham was formerly with Burns, Potter & Co.

(Special to THE FINANCIAL CHRONICLE)

OSBORN, OHIO — **William C. Oleson** is with **Slayton & Company, Inc.**

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF. — **Morris Geggie**, formerly with Nelson Douglas & Co., is now with **John M. Barbour & Co.**, Citizens Bank Building.

(Special to THE FINANCIAL CHRONICLE)

PITTSBURGH, PA.—**James H. Knowles** has rejoined **Mellon Securities Corp.**, 525 William Penn Place, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — **Henry A. Peterson** is now with **Coffin & Burr, Inc.**, 27 State Street.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME. — **James K. Gilman, Sr.**, is with **Maine Securities Co.**, 465 Congress Street.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE.—**Earl M. Plummer** is with **W. E. Hutton & Co.**, 188 Middle Street. In the past he was with Townsend, Anthony & Tyson.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—**Charles R. McKenney** and **Theodore T. Tibbits** are with **J. Arthur Warner & Co.**, Chapman Building.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — **Robert K. Creighton** has been added to the staff of **Kirchofer & Arnold, Inc.**, Insurance Building.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Frank E. Pelton, Jr.**, has rejoined the staff of **C. J. Devine & Co., Inc.**, Boatmen's Bank Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Ben B. Soffer** has rejoined **A. E. Edwards & Sons**, 49 North Eighth Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Delmar H. Robins** has become associated with **Edward D. Jones & Co.**, 300 North Fourth Street. He was previously with Friedman, Brokaw & Samish.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Clemens F. Forcade** is again with **Mercantile Commerce Bank & Trust Co.**, 721 Locust Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Charles L. Stone** has become affiliated with **I. M. Simon & Co.**, 315 North Fourth Street. Prior to serving in the U. S. Navy he was with Newhard, Cook & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Robert B. Coleman** and **John H. White** are with **Slayton & Company, Inc.**, 111 North Fourth Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—**James I. Robinson** has been added to the staff of **Wesley Hall & Co.**, First National Building.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—**William S. Cook**, **George S. Gillespie, Jr.**, and **William E. Holloway** have become affiliated with **Hope & Co.**, San Diego Trust & Savings Building. Mr. Cook was formerly with Gross, Van Court & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Wayne B. Franke** is now with **Gordon Michie**, 582 Market Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **William F. Belknap**, **Jack Cooper**, and **Robert J. Orr** have become connected with **Walston, Hoffman & Goodwin**, 265 Montgomery Street. Mr. Orr in the past was with H. R. Baker & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — **Talbot P. Kendall** and **Stanley J. Steer** are with **Dean Witter & Co.**, 45 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO—**Roger B. Griswold** has been added to the staff of **Ryan, Sutherland & Co.**, Ohio Building.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO — **Daniel H. Taylor** has become associated with **Stranahan, Harris & Co.**, Ohio Building. He has been in the U. S. Army for the past four years. In the past he was with Prudden & Co. and Otis & Co.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—**William M. Courtney** is with **Allen C. Ewing & Co.**, Murchison Building.

Rejoins Adams & Peck

Hale L. Montgomery has rejoined the staff of Adams & Peck, 63 Wall Street, New York City, after serving in the armed forces.

Thomas Wallace Joins Staff of Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Thomas R. Wallace has become associated with Central Republic Company. Mr. Wallace was formerly with Otis & Co., Merrill Lynch, E. A. Pierce & Cassatt and Earl M. Scanlan & Co. In the past he was sales manager for John G. Perry & Co.

Loewi With Clogher Co.

MIAMI, FLA.—Robert W. Loewi has become associated with Clogher & Co., 37 North East First Street. In the past he was a partner in Schatzkin, Loewi & Co. of New York.

DIVIDEND NOTICES

Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

MONDAY, JAN. 14

PHILIP MORRIS & CO., LTD., INC. on Dec. 26 filed a registration statement for 149,883 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Jan. 3.

Offering—The company offers to the holders of its common stock rights to subscribe for the new preferred at the rate of one and one-half shares of the cumulative preferred stock, for each 20 shares of common stock held at a price to be filed by amendment.

Underwriters — Lehman Brothers and Glore, Forgan & Co., head the underwriting group.

MADISON GAS & ELECTRIC CO. on Dec. 26 filed a registration statement for $4,500,000 first mortgage bonds, due Jan. 1, 1976.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment. The bonds will be sold by the company at competitive bidding.

Underwriters—To be filed by amendment.

SINCLAIR OIL CORP. on Dec. 26 filed a registration statement for 100,000 shares of common stock (no par). The shares are issued and outstanding and are being sold by a present stockholder.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment. The statement says shares purchased upon the initial offering will carry the right to receive the dividend of 25 cents per share which has been declared payable on Feb. 15, 1946, to stockholders of record Jan. 15, 1946.

Underwriters—To be filed by amendment.

CHESGO MINES, LTD., on Dec. 26 filed a registration statement for 1,250,000 shares of $1 par value stock, non-assessable.

Details—See issue of Jan. 3.

Offering—The public offering price is 35 cents per share.

Underwriters—W. R. Manning & Co., Toronto, Ontario, Canada.

TUESDAY, JAN. 15

SHELLMAR PRODUCTS CORP. on Dec. 27 filed a registration statement for 40,000 shares 4¾% cumulative preferred stock, $50 par, and 150,000 shares of common, no par. The common stock is outstanding and is being sold by certain stockholders.

Details—See issue of Jan. 3.

Offering—The offering prices of the preferred and common stocks will be filed by amendment.

Underwriters—Glore, Forgan & Co. heads the underwriting group.

COLONIAL AIRLINES, INC., on Dec. 27 filed a registration statement for 91,400 shares of capital stock, par $10.

Details—See issue of Jan. 3.

Offering—The company is granting to holders of its capital stock of a date to be fixed in January, the right to subscribe for not in excess of 91,400 shares of authorized but unissued capital stock in the ratio of one additional share for each three shares held. The subscription price is $20 per share. The capital stock not subscribed to by stockholders will be purchased by the individual members of the board of directors of Colonial Airlines at the same offering price of $20 per share, for their own accounts.

Underwriters—No underwriting.

WEDNESDAY, JAN. 16

DETROIT HARVESTER CO. on Dec. 28 filed a registration statement for 101,769 shares of common stock, par $1.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Reynolds & Co. heads the underwriting group.

AMERICAN POTASH & CHEMICAL CORP. on Dec. 28 filed a registration statement for 479,726 shares of capital stock (no par). The shares are issued and outstanding and are being sold by the Alien Property Custodian who directed the company to file the registration statement.

Details—See issue of Jan. 3.

Underwriters—The Alien Property Custodian proposes to sell the 479,726 shares of stock at public sale to the highest qualified bidder. If any such bid is accepted and if the successful bidder plans to distribute the shares the prospectus will be amended to include the requisite additional information. The shares to be offered constitute 90.79% of the 528,390 shares outstanding.

PALESTINE ECONOMIC CORP. on Dec. 28 registered 20,000 shares of common stock, $100 par value.

Details—See issue of Jan. 3.

Offering—The offering price to the public is $100 per share.

Underwriting—No underwriting.

TEXTRON, INC., on Dec. 28 filed a registration statement for 300,000 shares of 5% convertible preferred stock, par $25.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriting—To be filed by amendment.

COLUMBIA PICTURES CORP. on Dec. 28 registered 75,000 shares of cumulative preferred stock (no par) and 75,000 shares of common (no par) and 75,000 non-detachable warrants for common stock. The common shares are initially to be reserved for issuance in the event of the exercise of the non-detachable warrants for common stock attached to the certificates for preferred stock. The dividend rate on the preferred will be filed by amendment.

Details—See issue of Jan. 3.

Offering—The price to the public of the preferred shares will be filed by amendment.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co. and Hallgarten & Co.

UARCO, INC., on Dec. 28 registered 56,161 shares of common stock (no par).

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Kidder, Peabody & Co. heads the underwriting group.

NEWPORT INDUSTRIES, INC., on Dec. 28 filed a registration statement for 40,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Union Securities Corporation heads the underwriting group.

THURSDAY, JAN. 17

EASTERN COOPERATIVE WHOLESALE, INC. on Dec. 29 registered 20,000 shares of 4% cumulative dividend non-voting preferred stock, series A ($25 par).

Details—See issue of Jan. 10.

Offering—Price to the public $25 per share. Securities are being sold by the cooperative directly to stockholders and friends interested in the cooperative movement without the interposition of any underwriter.

Underwriters—None.

MONDAY, JAN. 21

RICH'S, INC., on Jan. 2 filed a registration statement for 11,070 shares of common stock (no par).

Details—See issue of Jan. 10.

Offering—The company will offer the stock to its common stockholders on the basis of one share for each 10 shares owned at the price of $70 per share.

Underwriters—None.

WEST DISINFECTING CO. on Jan. 2 filed a registration statement for $1,500,000 sinking fund debentures, due Jan. 1, 1961. The interest rate will be filed by amendment.

Details—See issue of Jan. 10.

Offering—The price to the public will be filed by amendment.

Underwriters—Coffin & Burr heads the underwriting group.

KELLING NUT CO. on Jan. 2 filed a registration statement for 17,000 6% cumulative preferred shares (par $20) and 34,000 shares of common ($3 par). In addition, 2,600 6% cumulative preferred shares and 76,000 common shares are being offered only to certain holders of outstanding securities of the company. No underwriting discounts or commissions are payable by the company in respect of such shares.

Details—See issue of Jan. 10.

Offering—The price to the public will be filed by amendment. Mae A. Urbanek has agreed to exchange 336 shares of presently outstanding 6½% cumulative prior preferred owned in her own right and an additional 152 shares held as trustee for 2,600 shares of new 6% cumulative preferred. The Kelling family have agreed to purchase a total of 76,000 common shares at a price to be filed by amendment. The underwriting agreement provides that as partial compensation to the underwriters the company will grant them options to purchase an aggregate of 10,000 common shares at a price to be filed by amendment.

Underwriters — The underwriters are Kebbon, McCormick & Co.; Bacon, Whipple & Co.; Farwell, Chapman & Co., and Milwaukee Company, each underwriting 4,250 shares of preferred and 8,500 shares of common.

TUESDAY, JAN. 22

JULIUS KAYSER & CO. on Jan. 3 filed a registration statement for 153,400 shares of common stock (par $5). The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Jan. 10.

Offering—The price to the public will be filed by amendment.

Underwriters—The group is headed by Carl M. Loeb, Rhoades & Co. and Smith, Barney & Co.

WEDNESDAY, JAN. 23

A. P. W. PRODUCTS CO., INC., on Jan. 4 filed a registration statement for certificates of deposit of $2,000,000 first mortgage and collateral trust 20-year 6% sinking fund bonds due April 1, 1948.

Details—See issue of Jan. 10.

Extension Offer—See below. The deposit of securities is desired as a preliminary step in connection with an offer of extension to holders of first mortgage and collateral trust 20-year 6% sinking fund bonds for the extension of the maturity date to April 1, 1966, and the reduction in the rate of interest to 5% per annum.

A. P. W. PRODUCTS CO., INC., on Jan. 4 registered $2,000,000 first mortgage and collateral trust 20-year 5% sinking fund bonds and 80,000 shares ($5 par) capital stock.

Details—See issue of Jan. 10.

Offering—The company offers to the holders of its $2,000,000 first mortgage and collateral trust 20-year 6% sinking fund bonds due April 1, 1948, the privilege of assenting to the extension offer providing for the extension of the maturity date to April 1, 1966, the reduction of the rate of interest to 5% per annum, the reduction of the principal amount of each $1,000 bond to $900 and to receive in consideration of such extension and debt reduction, without payment therefor, 20 shares of $5 par common stock per each $1,000 extended bond. Those assenting to the extension also will receive detachable warrants entitling the holders up to April 1, 1955, to purchase 20 shares of $5 par common per each $1,000 bond at the price of $6.25 or $7.50 per share, depending upon the date of deposit. The first date on which bonds may be deposited under the extension offer will be Feb. 1, 1946, and the extension offer will expire on March 1, 1946, or such later date as the company may fix. Bonds which are not assented to the extension offer are subject to redemption on April 1, 1948, or earlier at the option of the company, at $1,025 for each $1,000 principal amount of bonds.

Underwriters—No underwriting.

KAISER-FRAZER CORP. on Jan. 4 registered 1,800,000 shares of common stock (par $1).

Details—See issue of Jan. 10.

Offering—The public offering price has not been determined, but it is anticipated that it will be related to the market quotation at the time of the offering for the presently outstanding shares. The issue will be underwritten with a commission of 90 cents per share by the same group which purchased the September public offering, or a total underwriting commission of $1,620,000.

Underwriters—The underwriters are Otis & Co. and First California Company, 675,000 shares each, and Allen & Co., 450,000 shares.

GOLD CITY PORCUPINE MINES, LTD., on Jan. 4 filed a registration statement for 600,000 shares of common stock, $1 Canadian currency par value each.

Details—See issue of Jan. 10.

Offering—The company is offering its common stock to the public at 50 cents United States currency per share. If the company accepts offers from dealers to purchase the stock, the company will sell to such dealers, if any, at 32.5 cents U. S. currency per share for resale at 50 cents U. S. currency per share. The estimated proceeds to be raised by the company is $300,000 U. S. currency maximum, and $195,000 U. S. currency minimum, if all the shares are sold by dealers, and assuming in any event that all the shares are sold.

Underwriters — No underwriters named.

GOLDEN STATE CO., LTD., has filed a registration statement for 50,000 shares cumulative preferred stock, par $100. The dividend rate will be filed by amendment. The preferred is convertible into common stock on or before Dec. 31, 1955.

Address—425 Battery Street, San Francisco, Calif.

Business—Diversified dairy products.

Offering—The price to the public will be filed by amendment.

Proceeds—To finance in part a program of capital improvements and additions. Treasury funds will be used to extent of $2,300,000.

Underwriters—The group is headed by Blyth & Co., Inc.

Registration Statement No. 2-6084. Form S-1. (1-4-46). Originally filed in San Francisco.

MONDAY, JAN. 28

U. S. INDUSTRIAL CHEMICALS, INC., has filed a registration statement for 62,405 shares of common stock (no par).

Address—60 East 42nd Street, New York, N. Y.

Business — Chemicals, synthetic resins and industrial alcohol.

Offering—The new stock will be offered by the company to its present common stockholders at the rate of one share of new for each 7 shares held at a price to be filed by amendment. Air Reduction Co., Inc., owns 106,050 shares out of a total of 436,836 shares, or approximately 24% of the outstanding common. Air Reduction has stated that it will subscribe to all additional common shares that it is entitled to by virtue of its ownership of 106,050 shares, and it will also purchase, for investment, at the subscription price, all shares of common stock which are not subscribed for by other stockholders.

Proceeds—On Dec. 24, 1945, the corporation contracted with the Mutual Life Insurance Co. of New York, and John Hancock Mutual Life Insurance Co. of Boston, to issue as of Dec. 15, 1945, to those two companies for investment $4,000,000 and $3,500,000 of fifteen year 3% sinking fund notes, respectively. The proceeds from the sale of the common stock, as well as the proceeds from the notes, and possibly a portion of its future net earnings or present cash resources will be applied by the company to carry out an extensive program for additional manufacturing plant facilities for the production of chemicals, including butyl and octyl alcohol, and resins at Baltimore, Md., and Newark, N. J., and for Dodge & Olcott, Inc.'s production of insecticides at Bayonne, N. J., and Fairfield, Baltimore; and the construction of a new research laboratory at Stamford, Conn. The company stated the general scope of the program has been decided upon but the details have not yet been fully worked out. The program also contemplates participation in the construction of a plant or plants for the commercialization of processes of Petroleum Chemicals, Inc.

Underwriters—None.

Registration Statement No. 2-6085. Form S-1. (1-9-46).

NATIONAL MALLINSON FABRICS CORP. has filed a registration statement for 123,460 shares of capital stock. The shares are issued and outstanding and are being sold by 19 selling stockholders.

Address—1071 Sixth Avenue, New York, N. Y.

Business — Converters of woven and knitted fabrics the fiber content of which is primarily rayon but occasionally may be natural fiber or blends of natural fiber and rayon fiber.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be received by the selling stockholders.

Underwriters—The names of the underwriters will be filed by amendment.

Registration Statement No. 2-6086. Form S-1. (1-9-46).

FLORIDA PUBLIC UTILITIES CO. has filed a registration statement for 6,000 shares 4¾% cumulative preferred stock, par $100. The stock is issued and outstanding and does not represent new financing by the company.

Address—338 Datura Street, West Palm Beach, Fla.

Business—Public utility operating company.

Offering—The price to the public is $103 per share.

Proceeds — All of the preferred stock being offered is owned by J. L. Terry, President of the company, who also owns all of the present common stock of the company. In April, 1945, Mr. Terry purchased all of the capital stock of the company for approximately $1,140,000 and received the 6,000 shares of preferred stock from the company as a stock dividend in December, 1945. All of the proceeds from the sale will be received by Mr. Terry.

Underwriters — The underwriters are Starkweather & Co.; Clement A. Evans & Co., Inc.; Robinson-Humphrey Co.; Leedy, Wheeler & Co., and Stockton Broome & Co.

Registration Statement No. 2-6087. Form S-1. (1-9-46).

TAYLOR INSTRUMENT COMPANIES has filed a registration statement for 30,750 shares of common stock, $20 par. Of the total 21,170 shares are being sold to underwriters by the company and 9,580 shares are offered to various employees of the company by the estate of Herbert J. Winn, deceased, pursuant to the terms of his will. Mr. Winn was Chairman of the company at the time of his death.

Address—Rochester, N. Y.

Business—Scientific instruments for indicating, recording and controlling temperature, pressure, humidity, flow and liquid level.

Offering—The price to the public will be filed by amendment. The price to the employees is $18 per share.

Proceeds—The company will add the net proceeds from the sale of the 21,170 shares being sold to underwriters to its working capital funds.

Underwriters—The group is headed by First Boston Corp.

Registration Statement No. 2-6088. Form A-2. (1-10-46).

FEDERATED DEPARTMENT STORES, INC., has filed a registration statement covering 151,694.15 shares of common stock, no par value.

Address—Principal office, 707 Race Street Building, Cincinnati, Ohio, and 1440 Broadway, New York, N. Y.

Business—Holding company owning directly and indirectly securities of corporations engaged generally in the operation of department and specialty stores.

Offering—Of the securities registered, 151,694.15 shares of common of Federated are to be offered in exchange for common stocks of Wm. Filene's Sons Co., Abraham & Straus, Inc., Bloomingdale Bros., Inc., and F. and R. Lazarus & Co., subsidiaries of Federated. As to 94,035 shares to be offered, Federated is to receive 156,725 shares of Filene's common stock, at a price per unit of 1⅔ shares of Filene's common. As to 30,486 shares, Federated is to receive 15,243 shares of Abraham & Straus common, at a price per unit of ½ of a share of Abraham common. As to 23,588 shares, Federated is to receive 31,451 shares of Bloomingdale common, at a price per unit of 1⅓ shares of Bloomingdale common. As to 3,584 shares, Federated is to receive 3,259 shares of Lazarus common at a price per unit of 10/11 of a share of Lazarus common. Of the 151,694.15 shares registered, 116,315 shares were previously registered and became effective Sept. 6, 1943, to be offered in exchange for common stocks of Filene's, Abraham & Straus, Bloomingdale and Lazarus, subsidiaries of the registrant. The registrant is filing with the Commission a post-effective amendment of former registration statement, deregistering the 116,315 shares with the request that the amendment become effective simultaneously with the present registration statement becoming effective.

Registration Statement No. 2-6089. Form A-2. (1-10-46).

ADOLF GOBEL, INC., has filed a registration statement for 412,899 shares of common stock, par $1. The shares are issued and outstanding and are being sold on behalf of the Adolf Gobel, Inc. Syndicate.

Address—24 Rock Street, Brooklyn, N. Y.

Business—Adolf Gobel, Inc., was organized under the laws of New York on Oct. 17, 1944, to succeed another corporation of the same name, which was formed to acquire the meat packing and provision business which was started by Adolf Gobel in 1891.

Offering—The common stock is being offered for sale to the public on the New York Curb Exchange on behalf of the Adolf Gobel, Inc., Syndicate. The securities will be sold through regular market channels over the New York Curb Exchange at the best price obtainable in small lots so as not to unduly depress the market. The propsed stock offering constitutes 63.9% of the company's outstanding common stock. There are 12 members in the syndicate.

Proceeds—The net cash proceeds will be obtained by the selling syndicate.

Underwriters—No underwriting discounts and commissions are being paid.

Registration Statement No. 2-6090. Form S-1. (1-10-46).

WEDNESDAY, JAN. 30

DOYLE MANUFACTURING CORP. has filed a registration statement for 50,000 shares of 60-cent cumulative convertible preferred stock, series A, par $8, and 100,000 shares of common, par $1. The common shares are reserved for issuance upon conversion of the preferred on the basis of two shares of common for one share of preferred.

Address—320-6 West Taylor Street, Syracuse, N. Y.

Business—Pre-war business consisted of high precision machinery, tools and parts, etc.

Offering—The offering price of the preferred will be $10 per share.

Proceeds—The proceeds will be used to increase working capital and for general corporate purposes.

Underwriters—To be filed by amendment.

Registration Statement No. 2-6091. Form S-2. (1-11-46).

PRINCESS SHOPS, INC., has filed a registration statement for 40,000 shares 60-cent cumulative preferred stock, $5 par, and 40,000 shares of common stock, par 50 cents.

Address—108 West 39th Street, New York, N. Y.

Business — Company owns subsidiaries which sell women's and children's wear.

Offering—The company has entered into an agreement with First Colony Corp. and Childs, Jeffries & Thorndike, Inc., whereby the company employs the underwriters as its agents to sell an aggregate of 40,000 shares of preferred and 40,000 shares of common in units of one share of preferred and one share of common at $11.25 per unit. The underwriters will offer 4,400 units to Louis Schwartz, President of the company, at $11.25, without any underwriting discount or commission. Also 2,000 units are to be offered to employees and 2,000 units to Edwin M. Reich, director and counsel, at a price of $10.40 per unit. A total of 31,600 units are to be offered for a period of 15 days to stockholders of the company at the price of $11.25 per unit on the basis of one unit for every two shares of common or preferred stock held.

Proceeds—Approximately $200,000 of the proceeds will be used to open additional stores and approximately $125,000 for the repayment of bank loans. The balance will be used to modernize existing stores, creation of new departments, etc.

Underwriters—First Colony Corp. and Childs, Jeffries & Thorndike, Inc.

Registration Statement No. 2-6092. Form S-1. (1-11-46).

SATURDAY, FEB. 2

THE GEORGE PUTNAM FUND OF BOSTON has registered 1,000,000 shares of beneficial interest.

Address—50 State Street, Boston, Mass.

Business—Management trust fund for individual and institutional investors.

Offering—At market.

Proceeds—For investment.

Underwriter—Putnam Fund Distributors, Inc., is named principal underwriter.

Registration Statement No. 2-6093. Form A-1. (1-14-46).

McALEER MANUFACTURING CO. has filed a registration statement for 50,000 shares 5% cumulative convertible preferred stock, par $10, and 50,000 shares of common, par $1.

Address—Fourth and Water Streets, Rochester, Mich.

Business—Developing, manufacturing and selling industrial polishing, buffing and deburring compounds and compositions and automobile polishes, waxes and cleaners. To its so-called automotive line the company has added wheel-chocks, side-car carriers and a compressed air-operated vacuum cleaner.

Offering—The price to the public will be $10 per share for the preferred and $5 per share for the common stocks.

Proceeds—Of the proceeds, $345,000 will be used to pay the balance owing on the purchase price of 7,889 shares of common stock of Bronson Reel Co. The full purchase price was $615,000, which includes $270,000 already paid. Part of the proceeds will be applied to the purchase of various equipment, development work, etc.

Underwriters—The names of the underwriters will be filed by amendment.

Registration Statement No. 2-6094.' Form S-1. (1-14-46).

MASSACHUSETTS INVESTORS TRUST has filed a registration statement for 867,205 shares of beneficial interest.

Address—19' Congress Street, Boston, Mass.

Business—Oldest Boston type investment fund with fully transferable and redeemable shares.

Offering—At market.

Proceeds—For investment.

Underwriter—Vance, Sanders & Co., Boston, is the sole principal underwriter and, as principal, sells shares to investment dealers and also to investors.

Registration Statement No. 2-6095. Form S-2. (1-14-46).

GROUP SECURITIES, INC., has filed a registration statement for 11,500,000 shares of capital stock of the par value of one cent a share.

Address—No. 1 Exchange Place, Jersey City, N. J.

Business—Mutual investment company.

Offering—At asset value plus a distribution charge.

Proceeds—For investment.

Underwriters—Distributors Group, Inc., is sole underwriter.

Registration Statement No. 2-6096. Form A-1. (1-14-46).

RELIANCE ELECTRIC & ENGINEERING CO. has filed a registration statement for 30,000 shares of convertible preferred stock —the dividend rate to be filed by amendment—indeterminate number of common shares reserved for conversion of the preferred, and an indeterminate number of common shares which were reserved for issuance upon conversion of its $5 convertible preferred and which were not required for such purpose.

Address — 1088 Ivanhoe Road, N. E., Cleveland, Ohio.

Business—Principally the manufacture of general-purpose electric motors.

Offering—The price to the public on the preferred and common shares to be offered by underwriters will be filed by amendment. The shares of common stock to be offered are the shares of common stock to be purchased by certain of the underwriters at $21 per share and are the shares which were reserved for issuance upon the conversion of the $5 convertible preferred stock and which were not required for such purpose. The statement says the company called for redemption, on Feb. 1, 1946, all of its outstanding $5 convertible preferred, of which 6,500 shares (exclusive of treasury shares) were outstanding on Oct. 31, 1945. The holders have the right, on or before Jan. 28, 1946, to convert the same into common stock on the basis of 5 shares of common for each preferred share.

Proceeds—Part of the proceeds from the sale of preferred and common stock will be used to reimburse the company's treasury for the redemption on Feb. 1, 1946, of the $5 convertible preferred which were not converted into common; about $550,000 for the construction of a new building, for the purchase of machinery and equipment for the new building, etc.; about $600,000 may be used for the purchase or erection of an additional plant for the production of the company's smaller motor frame sizes, and $230,000 may be used for the purchase of machinery and equipment now being used by the company under a Navy facilities contract.

Underwriters — Hayden, Miller & Co.; Hawley, Shepard & Co.; McDonald and Co.; Maynard H. Murch & Co.; Merrill, Turben & Co., and Curtiss, House & Co.

Registration Statement No. 2-6097. Form S-1. (1-14-46).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

BERYLACA YELLOWKNIFE GOLD MINES, LTD., on Dec. 10 filed a registration statement for 5,720 shares common stock (par $5).

Details—See issue of Dec. 20.

Offering—Company has an authorized capital of $40,000, divided into 8,000 shares (par $5). There have been issued for property, 2,000 shares, in escrow; issued for cash 280 shares and in treasury 5,720 shares which are being offered at par for public subscription.

Underwriters—None named.

BUFFALO BOLT CO. on Dec. 14 filed a registration statement for 58,386 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The underwriters are offering 43,386 shares at a price to be filed by amendment. In addition there may be eventually offered under the prospectus all or a part of an additional 15,000 shares of common, issued and delivered by the company to Lee Industries, Inc., on Aug. 10, 1945, Buffalo Bolt acquired the assets subject to liabilities of Eclipse Lawn Mower Co. from Lee Industries for 15,000 shares of Buffalo Bolt common stock. Lee Industries distributed to its stockholders the 15,000 shares of Buffalo Bolt common which, at the then market value of $10 per share were worth $150,000. Lee Industries was dissolved on Sept. 17, 1945.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwriters—John William Langs is named principal underwriter.

CARRIER CORP. on Dec. 14 filed a registration statement for 120,000 shares of cumulative preferred stock (par $50), 4% series.

Details—See issue of Dec. 20.

Offering—Shares are being offered, pro rata, at par at rate of 22 shares of new preferred stock for each 100 shares of common stock held of record Jan. 7. Rights expire Jan. 22.

Underwriters—Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co. head the underwriting group.

CONSOLIDATED BISCUIT CO. on Dec. 12 filed a registration statement for 80,750 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The new stock will be offered to common stockholders of record some time in January at $10 per share in the ratio of one share for each four shares held.

Underwriters—None mentioned.

DALLAS RAILWAY & TERMINAL CO. on Dec. 13 filed a registration statement for 162,500 shares of common stock (par $20).

Details—See issue of Dec. 20.

Offering — The shares are presently owned by Electric Power & Light Co., parent of Dallas, and proceeds from the sale will be received by Electric Power & Light.

Bids Invited—Electric Power & Light Co. is inviting bids for the purchase of the stock. Bids will be received at its office, 2 Rector St., New York up to 11 a.m., Jan. 21.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd. has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

GENERAL INSTRUMENT CORP. on Oct 25 filed a registration statement for 60,000 shares cumulative convertible preferred $20 par, and 260,000 shares of common, par $1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of the preferred. The 160,000 shares of common stock is issued and outstanding and being sold by certain stockholders.

Details—See issue of Nov. 1.

Offering—The price to the public will be filed by amendment.

Underwriters—Burr & Co. heads the underwriting group.

GENERAL SECURITIES CORP. on Sept 28 filed a registration statement for 200,000 shares of common stock, par $5.

Details—See issue of Oct. 4.

Offering—The price to the public is $7.50 per share.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GRAHAM-NEWMAN CORP. on Dec. 7 filed a registration statement for 14,999 shares of capital stock, minimum stated value of $50 per share.

Details—See issue of Dec. 20.

Offering—Of the 14,999 shares 5,000 shares are offered to stockholders of record Jan. 7 at $100 per share. This offer expires on Jan. 30, 1946. The balance of the stock will be publicly offered, after expiration of offering of foregoing shares.

Underwriters—None named.

LIQUID CARBONIC CORP. on Dec. 21 filed a registration statement for 72,810 shares of 3½% cumulative convertible preferred stock, $100 par.

Details—See issue of Jan. 3.

Offering—The preferred shares are being offered to common stockholders at $100 in ratio of one preferred share for each 10 shares common held. Subscription rights expire at noon, Jan. 26, 1946. Any shares not subscribed for by common stockholders will be offered to the public.

Underwriters—Laird, Bissell & Meeds, Spencer Trask & Co. and Merrill Lynch, Pierce, Fenner & Beane head underwriting group.

NATIONAL LINEN SERVICE CORP. on Nov. 16 filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par $100 per share.

Details—See issue of Nov. 22.

Offering—The company is offering to holders of 4,624 shares of $5 cumulative preferred stock and 21,695 shares of $7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. Unexchanged shares through underwriters at $105.

Underwriters—Clement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

NEW YORK DOCK CO. on Dec. 5 filed a registration statement for $12,000,000 first mortgage 3½% bonds due Dec. 15, 1970.

Details—See issue of Dec. 13.

Underwriters—The underwriting group will be headed by Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

Registration Statement withdrawn Jan. 8, 1946.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par $10.

Details—See issue of Nov. 29.

Offering—The price to the public is $10 per share.

Underwriters—None. The securities are being offered by the corporation.

Registration Statement withdrawn Dec. 29, 1945.

PACIFIC COAST AGGREGATES, INC., on Dec. 21 filed a registration statement for 15,000 shares of cumulative preferred stock, convertible series, $100 par value.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Blyth & Co., Inc., and Schwabacher & Co. are principal underwriters.

PORTLAND MEADOWS on Dec. 20 filed a registration statement for $900,000 in unsecured income notes due Jan. 1, 1971, providing for interest at the rate of 10% payable only from income.

Details—See issue of Jan. 3.

Offering—The offering is to be at par, with total net proceeds to the corporation placed at $900,000.

Underwriters—No underwriter named.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series ranges from 99 to 102 The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc. Pittsburgh, and John Nordman Co., St Louis, Mo.

SOUTHERN UNION GAS CO. on Dec. 10 filed a registration statement for 27,000 shares of 4½% cumulative preferred stock, par $100.

Details—See issue of Dec. 20.

Offering—21,521 shares offered first in exchange for 6% 25-year sinking fund debentures on basis of one share preferred for $100 of debentures, unexchanged through underwriters at $101.50 per share; additional (5,479) shares to be offered to public at $101.50 per share.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

STERLING ENGINE CO. on Dec. 12 filed a registration statement for 100,000 shares of 55 cent cumulative convertible preferred stock ($8 par) and 150,000 shares of common stock ($1 par).

Details—See issue of Dec. 20.

Offering—The 100,000 shares of preferred stock are to be offered first to the holders of the company's outstanding common shares at $10 a share. The common shares are reserved for conversion of preferred. The preferred is convertible at any time into 1½ shares of common stock.

Underwriters—Burr & Co., Inc., 57 William Street, New York 5, N. Y.

TENNESSEE GAS & TRANSMISSION CO. on Dec. 21 filed a registration statement for 812,100 shares of common stock (par $5). Of the total, 238,000 shares will be purchased from the company by the underwriters, while 574,100 shares will be purchased from certain stockholders.

Details—See issue of Jan. 3.

Offering—The offering price to the public will be filed by amendment.

Underwriters — Stone & Webster and Blodget, Inc., and White, Weld & Co. head the underwriting group.

UNITED STATES AIR CONDITIONING CORP. on Nov. 21 filed a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares are to be offered through an underwriter.

Details—See issue of Nov. 29.

Offering—The price to the public is $4.50 per share. Application has been made by the corporation to list on the New York Curb Exchange 350,000 shares of its common stock which is presently issued and outstanding and application has been made to list on the Curb 150,000 additional shares to be sold under this prospectus.

Underwriter — George F. Breen, New York, is named underwriter.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 113,468 shares of class A stock (no par).

Details—See issue of Aug. 16.

Offering—The price to the public is $12.50 per share.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway New York, N. Y.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co., New York.

WELCH GRAPE JUICE CO. on Nov. 23 filed a registration statement for 20,392.8 shares of second preferred stock, par $100.

Details—See issue of Nov. 29.

Offering—The second preferred shares are offered to the holders of common stock of record Dec. 29, at the rate of two shares of second preferred for each 15 shares of common held, at $100 per share. Rights expire Jan. 25. Navajo Corp. has agreed to purchase all of the unsubscribed shares for investment at $100 without any discount or commission.

Now Individual Dealer

CINCINNATI, OHIO — Samuel F. Stephenson, member of the Cincinnati Stock Exchange, formerly proprietor of Stephenson & Potter, is now doing business as an individual dealer.

New Middendorf Partner

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Jack H. Neumark has been admitted to partnership with William A. Middendorf and Gordon M. Graham in Middendorf & Company, Mercantile Library Building.

British Await U. S. Loan Ratification

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here are realistic enough, however, to know that the fact that these concessions *were* made on the strength of that argument does not in any way bind Congress.

Some newspaper reports from Washington already indicated some of the amendments that are likely to be proposed in Congress. They relate to the securing of the loan by Britain's remaining investments abroad, and similar terms of a financial character. Nothing is known on this side so far about any possible amendments of a political character. But it is considered possible, and even probable, that some such amendments would be put forward in due course.

In the first place, the possibility that Congress might insist on a definite commitment about the elimination of Imperial Preference even before the coming trade conference is envisaged in some quarters here. This view is based on the assumption that Congress, while very keen on the elimination of the Ottawa system, is utterly reluctant to agree to a really drastic reduction of the American tariff wall, and would like to strengthen the bargaining position of the Administration at the conference. Any such attempt would meet with the utmost resistance on this side. Parliament had approved the Washington Agreement largely on the emphatic assurance given by the Government that it contained no definite commitment on Imperial Preference, and that any concessions in that sphere would only be made in return for equivalent concessions by the United States in the form of tariff reductions. But for this assurance, practically the whole of the Conservative Party and a fair proportion of the Labor Party would have voted against ratification. Indeed, the chances are that the House of Lords would have risked a constitutional crisis by rejecting the Agreement. Should it be found that, after all, this country is expected to relinquish Imperial Preference without the certainty of a *quid pro quo*, the Government would be confronted with a thoroughly hostile Parliament.

British public opinion, too, might assert itself for the first time in this controversy. The average Englishman does not realize that in existing circumstances the Sterling Area arrangement, which has already been given away unconditionally, is a much more important factor in inter-Imperial trade than the Ottawa Agreement. The working of the Sterling Area system is far beyond the understanding of the layman. (This explains the ease with which Mr. Dalton and Lord Keynes got away in Parliament with the argument that all that was happening was that the Sterling Area is restored to what it was before the war. Few people realize that the prewar form of the system is quite useless in postwar conditions.) On the other hand, the Ottawa system has come to be regarded as being one of the basic conditions of the maintenance of the Empire. Should the Government be defeated in the House of Lords on that issue it would not dare to go to the country to seek mandate for the abolition of the Upper Chamber.

In some quarters it is considered possible that Congress might insist, as a condition of the ratification of the loan agreement, that the Government should abstain from further nationalizations. In private conversations among Conservatives it has even been suggested that Congress might adopt the view that, if the United States is to grant such a large loan it must have the assurance that Britain would return to the Coalition Government instead of being run by a Socialist Government. Such speculation should of course be dismissed as mere wishful thinking. Any such attempt would be resisted by the Government and its majority in the House of Commons. It is doubtful whether many Conservatives would welcome such an interference with this country's internal politics. Nevertheless, the fact that the possibility is envisaged at all is worth recording as an indication of the state of mind in which British political opinion is during the interval between the ratification of the Agreement in London and in Washington.

One thing that is felt widely is that it was a big mistake—possibly the biggest mistake of all—on the part of the British negotiators not to have insisted on fixing a time limit for the ratification of the Agreement by Congress. Considering the "indecent haste" with which the measure was rushed through Parliament by the end of December with the aid of methods that have aroused grave misgivings among all but the most extreme supporters of the Agreement, it is felt it would not have been unreasonable to make the British ratification conditional upon the American ratification having been effected by, say, the end of January. It is felt that the subservience implied by unilateral ratification can only breed contempt on the other side. Moreover, for obvious reasons, the longer the deliberations of Congress are dragged out the weaker Britain's position will be in resisting demands for further concessions.

By the time Parliament reassembles on Jan. 22 it will perhaps be possible to see more clearly what attitude Congress is likely to take. The situation is watched carefully by political observers, as it is pregnant with possibilities of grave conflicts and crises.

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Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 163 Number 4456 New York, N. Y., Thursday, January 17, 1946 Price 60 Cents a Copy

Observations . . . .

By A. WILFRED MAY

The dangerous practice of ameliorating public concern over a government expenditure by relating it to the past tremendous war cost, is being continued by Administration officials. For example, Secretary Vinson employed this technique in "selling" the British Loan at a meeting in Philadelphia's Town Hall last week. The Secretary mitigated his admission that "three and three-quarter billion dollars is a lot of do-re-mi in anybody's pocketbook" with the opiate of mentioning that the sum equals only two weeks of our expenditure on war.

Wholly irrespective of whether the British Loan or any other particular outlay is justified, the attempt to make them seem small by ranging them against war costs is very bad. Thus a request—no matter how unjustified—for an appropriation for ten million dollars, which presumably also is "a lot of do-re-mi" can be glossed over by regarding it as the equivalent of our previous outlay for "only" 48 minutes of the war. This is something like contending that concern over the loss of a human life, whether through illness, accident, or murder, is foolish because of the millions more lost as war casualties. Perhaps, eventually the dollars of public debt may be measured in terms of "mere" minutes of astronomical Light Years.

* * * *

Let the layman who is seeking an understanding of the British Loan, not read the "explanations" being simultaneously given on both sides of the Atlantic! The transaction is being described here by Administration officials as a **loan**, while the British public is being told that it is really a **gift**. Far from acting as a Shylock, we are being represented to the British by Lord Keynes as a benign Santa Claus. Whereas here much is made of the business-like inclusion of interest, the chief British negotiator in his **apologia** to the House of Lords stated that such provisions were formally inserted only as a gesture to appease Congress. "If the Americans have tried to meet criticism at home by making the terms look a little less liberal than they really are, so as to preserve the principle of interest, is it necessary for us to be mistaken?" asked Keynes of his fellow Lords. "The balm and sweet simplicity of no per cent is not admitted, but we are not asked to pay interest except in conditions where we can reasonably well afford to do so, and the capital in-

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Aldrich Cites High Quality of Assets Of Nation's Banks

Chase Bank Chairman, in Annual Report to Institution's Shareholders, Says Bank Earned $3.59 Per Share in 1945, Compared With $3.01 in Previous Year.

Discussing the subject of loans in his annual report to the shareholders of the Chase National Bank of New York on Jan. 8, Winthrop W. Aldrich, Chairman of the Board of Directors, stated that "the lending officers are in close touch with our customers concerning possible uses for bank credit in connection with their postwar plans, and a large amount of potential borrowing is currently under discussion. It is apparent," said Mr. Aldrich "that the bulk of the credits sought by many large industrial companies will be utilized in the form of term loans, covering a period of several years and repayable in serial installments. This development confirms and accentuates a trend which started about ten years ago. It represents a major change in commercial banking practice." Mr. Aldrich added that "the Chase National Bank has been active in this new field of lending since its inception and has been employing a substantial amount of funds in medium-term loans to borrowers with a strong financial background."

W. W. Aldrich

Under the same heading Mr. Aldrich stated:

"The total loans and discounts on the books at the year-end were $1,271,694,000, about 22%

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The Financial Situation

Now that the public has had an opportunity to taste of the fruit of the labors of "fact-finding boards," we find it exceedingly difficult to imagine how any sane observer can expect a great deal from them, or, for that matter, not be impressed with the truth that to label them "fact-finding" is to play fast and loose with the English language. In a certain sense the Board sitting in the General Motors case could scarcely have done the country a greater service than it did by affording convincing evidence of the folly and futility of such techniques—convincing, that is, if the public can be persuaded to consider these results in the cold light of reality.

A "Fact-Finding" Report?

In what sense, first of all, is this a "fact-finding" report? One may well wonder. To be sure, it recites at long length facts already available to every one who reads the newspapers. It does indeed rather inadequately cite certain data here and there, which were available only to those who were sufficiently interested to consult the more serious economic literature of the day, which, however, was and is available to all those who are really interested—and it may well be doubted whether the others will read the Board's recital. It also appears to have felt under some sort of duty to imitate the courts in recording the claims of the disputants at some length, but all this has been constantly before the public, and much of it has been blazoned in the headlines of the daily press. For our part, we have been unable to discover one material and relevant "fact" that the Board has "found"—except from previously published sources.

But we see a great deal that has nothing to do with "fact-finding," which, however, may presently be foisted upon the public as "objective," or "impartial findings," or

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Government Promotion Of International Trade

By ARTHUR PAUL*
Assistant to the Secretary of Commerce

Commerce Department Official Outlines the Changes in Organization and Functioning of His Department and Praises the Plan to Separate the Domestic Trade Bureaus From Those Concerned With Foreign Trade. Says Foreign Trade Activities Will Be Apportioned Between a Service Division and a Policy Division. Latter Will Deal With Export Controls, World Trade Policies and International Trade Organizations. Points Out Trend of Industrialization in Backward Countries and Holds This Movement Should Be Fostered and Assisted by an Enlightened Credit and Cooperative Trade Policy.

I am very pleased to have been given this opportunity by the Commerce and Industry Association of New York to talk to such a representative gathering of the foreign trade community of New York. I am not going to speak at length this afternoon, but I do want to take the opportunity to give you a picture of how we are planning to organize our work in the Department of Commerce, an outline of our plans in the foreign field and along with these a little of the background thinking that has gone on behind the program.

Arthur Paul

The end of the war has brought with it many changes in the organization of the Government in Washington. War agencies are being rapidly dissolved or merged with the old line departments. As part of this process of change, the Department of Commerce inherited in September of last year a substantial portion of the Foreign Economic Administration.

The process of liquidation of FEA has been continued and of the 1,500 people transferred from FEA to Commerce, there are now only about 700 on our rolls, as

*An address by Mr. Paul before the Commerce and Industry Association of New York, Hotel Commodore, New York City, Jan. 8, 1946.

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GENERAL CONTENTS

From Washington Ahead of the News

By CARLISLE BARGERON

Some of our editors have been running about the world with an avowed purpose of establishing freedom of the press. When they have come back their fellow editors have gone eagerly to them and asked, not whether they had established freedom of the press, but whether they had met Stalin, what did he look like, and did they have a good time in Bulgaria.

One can't escape wondering whether the freedom of the press which these gentlemen were purportedly seeking should not be called, in the light of the Washington press set-up, freedom of the sap. We have been thinking about the parade of Britishers who have recently come to our midst, and God knows, we haven't anything against them.

Carlisle Bargeron

Nevertheless, let any Britisher or any other foreigner come over here trying to sell his wares, and there is a rivalry among the newspapermen in Washington as to which group he should sell his wares to first. The situation comes particularly to our mind when we recall the visit of Mr. Herbert Morrison, the British Labor leader of the Commons. Frankly, this writer doesn't believe that Mr. Morrison had anything to sell. He came over, as he said, to look over as much of the geography of Canada as possible, and then he couldn't escape running down to our country to see what was going on.

We are amazed that Mr. Morrison could have been so naive. The Overseas Writers, a fairly exclusive gathering of journalists, billed him for a cocktail party and thought this was an accomplishment of sorts. The National Press Club, not so exclusive, usually having around 400 at its luncheon, got busy and booked Mr. Morrison for a luncheon, an "off-the-record" affair.

Well, at that luncheon, Mr. Morrison told the assemblage in a "between you and me" style, that Great Britain and the United

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We Don't Know How!

"The decline in income payments since the end of the war has been less than expected, and an upturn has developed earlier than anticipated.

"V-J Day did not frighten consumers into curtailing purchases. Rather, they continued to buy and so maintain an active demand for labor in trade, services and civilian production. We had the biggest Christmas business in history, yet these sales included only a trickle of consumer's durable goods, for which there is a huge demand.

Walter D. Fuller

Paul G. Hoffman

"It is time to give intensive consideration to the problem of maintaining high employment once it has been achieved. There is nothing in our recent experience to suggest that this problem has been solved or that we know how to solve it, but on the other hand, given the proper teamwork, there are no problems which the American economic system should be unable to solve, as shown by its war production record."
—Paul G. Hoffman and Walter D. Fuller.

What Messrs. Hoffman and Fuller refer to as "maintaining high employment" is, in practical effect, what is often termed controlling or, better still, eliminating the "business cycle."

They are on strong ground when they say that "there is nothing in our recent experience to suggest . . . that we know how" to reach any such end — certainly not by means of a "managed economy."

General realization of this simple fact might well be our salvation in the months and years to come.

Hope British Trade Policies Will Become Less Discriminatory

When the Foreign Credit Interchange Bureau held its monthly round-table conference on Jan. 9 at the Hotel Pennsylvania, in New York, foreign traders voiced the hope that the Anglo-American credit agreement will result in elimination of discriminatory practices, which, it is alleged, still prevail against American foreign traders seeking to operate in British markets. The New York "Times" of Jan. 10, reporting this, further stated:

Under the terms of the agreement, by the end of this year sterling is to be made free, but trade with India and Trinidad continues at a virtual standstill despite apparent absence of that factor in those areas, it was asserted.

"Apparently there is a determined efort to keep us out of empire markets whenever goods can be obtained within the empire, regardless of exchange considerations," one trade stated. "In India the policy is to refuse to issue an import license for any commodity which can be obtained within the sterling area."

The discussion of the situation arose following the question of a member who asked whether his experience in India was general.

"We have constant requests for prices and delivery in India," he said, "but always the same story comes back—that import licenses cannot be received from the Government in New Delhi. It looks as if we are completely stymied."

"We have had a similar experience in Trinidad," another member explained. "There we were banned solely on the grounds that dollars were not available. But we know that is just a pretext since there have been so many soldiers and sailors there and a large supply of dollars must be available. As a result of our complaints, three separate investigations were made by the State Department and I am glad to report that something is coming out of it."

Although conceding that trade with Barbadoes, British Honduras and British Guiana was satisfactory, the member said that the situation was all the more "strange" therefore in Trinidad.

In Trinidad also, another member said, on two occasions he was asked to supply preliminary trade information of a type "one doesn't usually tell a close friend." It was his opinion, the member said, that the information was sought largely to provide competitive advantages.

The consensus of the meeting was that each case involving apparent discrimination should be brought to the attention of the State Department.

L. L. Horch, Director of the New York Regional Office of the Department of Commerce, who responded to a number of questions on export control, assured the traders that no change in the country group classification of Argentina is contemplated at this time.

Living Costs Rise in Industrial Cities in Nov.

Living costs of wage earners and lower-salaried clerical workers in industrial cities resumed a general rise in November, for the first time since the end of the war, the National Industrial Conference Board reported on Jan. 17. The Conference Board said the cost of living during November climbed in 58 of 63 industrial cities surveyed each month. Three cities showed no change, while slight declines were noted in two cities. Duluth, Minnesota, recorded the greatest increase, with a rise of 1.9%, followed by Los Angeles with an increase of 0.9%, and Bridgeport, Connecticut, with a climb of 0.8%. New Orleans and Houston, Texas, were the only industrial cities of the 63 surveyed to record declines.

NYSE Cited for Treas. Loan Drive Work

On Jan. 8 Emil Schram, President of the New York Stock Exchange, called on President Truman, the United Press reported from Washington, to assure Mr. Truman that no inflationary trend existed in the stock market. Later Mr. Schram was presented by Secretary Vinson of the Treasury with a citation for the work of the Exchange in Treasury loan drives. Mr. Vinson praised Exchange members for their cooperation in seven war loan drives as well as the Victory loan. The citation was accepted in Mr. Vinson's office by Mr. Schram and John Coleman, Chairman of the Board of Governors of the Exchange. The citation read:

"The United States Treasury Department gratefully acknowledges the patriotic services of the New York Stock Exchange in the seven War Loan drives of World War II and in the Victory Loan of 1945."

The Associated Press Washington advices Jan. 8 stated that in a letter to Mr. Schram, read at the ceremony, Mr. Vinson declared that "your industry utilized its professional selling skill by not only sponsoring original radio and newspaper advertisements but by organizing bond selling teams and furnishing thousands of volunteer salesmen to our local war finance committees."

From the Associated Press we also quote:

The letter expressed the hope of the Treasury that "the Exchange will continue to utilize its educational and advertising facilities to encourage our citizens to hold the bonds they own and to continue to purchase them regularly under the payroll savings plans or through other outlets."

In the "Wall Street Journal" of Jan. 9 it was stated:

Reached in New York last night and asked to amplify his statement Mr. Schram said: "The market in itself is not inflationary. It will, of course, reflect the trends whatever they may be."

Heads Board of St. Louis Reserve Bank

The Board of Governors of the Federal Reserve System has designated Russel L. Dearmont, St. Louis, as Chairman of the Board and Federal Reserve Agent of the Federal Reserve Bank of St. Louis, to succeed William T. Nardin, who has retired from the office after nine years' service. Douglas W. Brooks, of Memphis, Tenn., has been reappointed Deputy Chairman. Mr. Dearmont was recently appointed a Class C director of the bank. He is Chief Counsel for Trustee, Missouri-Pacific Lines, St. Louis.

The following, it is announced by C. M. Stewart, Secretary of the St. Louis Bank, have been appointed directors of the branches of the Federal Reserve Bank:

Little Rock Branch — Cecil C. Cox, farmer, Stuttgart, Ark., and Chas. A. Gordon, Vice-President, Simmons National Bank, Pine Bluff, Ark.

Louisville Branch — Geo. O. Boomer, President, Girdler Corporation, Louisville, and Lee L. Persise, President of the State Bank of Salem, Ind.

Memphis Branch — Leslie M. Stratton, Jr., Executive Vice-President, Stratton-Warren Hardware Co., Memphis, and Norfleet Turner, President First National Bank of Memphis.

The Board of Directors of the Federal Reserve Bank consists of nine members, six of whom are chosen by the member banks and three by the Board of Governors in Washington. Each branch has seven directors, four of whom are appointed by the Federal Reserve Bank and there by the Board of Governors.

The State of Trade

The level of industrial output last week varied only slightly from that of the previous week with strikes and raw material shortages continuing to hamper manufacturing processes. New orders as was the case in past weeks showed further expansion with steel users applying great pressure on the steel industry for delivery of orders before the scheduled strike.

In the automotive field production of trucks was speeded and slight changes made in pre-war models. An increase in the production of stoves and refrigerators was also noted. Current estimates of shoe factory output reveal a very high level with the easing of the labor supply situation. Jewelry manufacturers also report sustained production levels in their field.

In a study of production trends appearing in a current issue of The Cleveland Trust Company's Business Bulletin, Brig. Gen. Leonard P. Ayres, Vice-President, points out that industrial production stopped its decline and made a vigorous recovery in November last year based upon preliminary data at the time of his survey. The index of physical volume of industrial production as compiled by the bank reflects a 21.4% rise above the computed normal level in July. In August the index declined to 11.0% above normal, in September to 10.5, and in October to 6.8%. Preliminary figures for November, according to the bank, indicate an upturn of 13.3% above normal, thus cancelling a large portion of the decline following V-J Day.

A comparison of November's figures with those for October reveal that the recovery in our production occurred in practically all lines of industry with the increases varying in amount. Bituminous coal was foremost in the advance because of the ending of the strike and the return to full production, thus placing the index close to the high level it enjoyed in the month of peak war production. Other important gains were registered in the outputs of steel, gasoline, beehive coke, and meat packing.

Concluding the production phase of Brig. Gen. Leonard P. Ayres' study, the Business Bulletin notes, that in some industries an increase in production levels higher than those of July, before the war's end, occurred. This would indicate, the bulletin points out that the reconversion process in those industries has been completed and that production is going forward at full capacity. Particularly true is this of the non-durable goods industries where in most cases the change-over to peacetime production is not as difficult as it is in the durable goods fields, adding, that those still most depressed are to be found in the ship, airplane, machinery and chemical lines.

Steel Industry—There were no definite indications at mid-week that the main bout in the form of an industrywide steel strike would not take place this week, according to The Iron Age, national metalworking paper in it review of the steel trade dated Jan. 9.

Basically the steel union set the strike to enforce its demand for a $2 a day increase but subsequently indicated that a lower amount would be considered. The question of steel price increases the past week while nearing a conclusion was not necessarily tied in with any possible postponement of the steel strike.

President Truman's remarks to the effect that there would be a "slight" increase in steel prices after steel company fourth quarter earnings are analyzed gave little solace to the steel industry. Such remarks left the steel price situation practically where it was more than a month ago, the magazine noted.

A price adjustment has been demanded by the industry as a prerequisite for further wage negotiations, but such an increase would have no bearing upon how much of a wage increase could be granted because the industry plans to ask OPA for another price adjustment to cover any wage increase.

There is belief in the industry that the OPA steel price adjustment which is expected to be granted within a week or so will fall far short of the industry's $7 a ton demand. It is expected, however, that even though a base price averaging around $2 to $2.50 a ton is granted, adjustments will be made on steel extras which would result in a greater net price return.

Pressure from customers anxious to secure delivery before a steel strike occurs in order to build up inventories reached unusual proportions the past week. These attempts were useless, since the industry, already far behind on deliveries, was unable to give any better service than has been the case for the last few months.

Most notable development among strikebound consuming industries was notification to steel suppliers by General Motors that shipments to holding points scheduled for January should be halted. The action apparently did not affect equally all suppliers and all GM subsidiaries. One mill reports that Chevrolet had ordered shipments halted indefinitely but that no stop-order had been received from other manufacturing subsidiaries. General Motors now is believed to have steel stocks on hand adequate at least 60 full days scale operation when manufacturing is resumed.

Some mills have not been delivering full tonnages allowed under GM quotas in the belief that the steel should be diverted elsewhere so that it could be used immediately. The present GM stop-order on deliveries will help some other steel consumers but in the overall picture it will not go far towards easing shortages.

The American Iron and Steel Institute announced on Monday of this week the opening rate of steel companies having 94% of the steel capacity of the industry will be 76.5% of capacity for the week beginning Jan. 14, compared with 82.0% one week ago, 83.0% one month ago and 92.2% one year ago. This represents a decrease of 5.5 points or 6.7% from that of the previous week.

This week's operating rate is equivalent to 1,401,200 tons of steel ingots and castings, and compares with 1,502,000 tons one week ago, 1,520,300 tons one month ago and 1,688,400 tons one year ago.

Electric Production — The EdisonElectric Institute reports that the output of electricity increased to approximately 3,845,000 kwh. (preliminary figure) in the week ended Jan. 5, 1946 from 3,758,942,000 kwh. in the preceding week. Output for the week ended Jan. 5, 1946, however, was 13.2% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports System output of 184,400,000 kwh. in the week ended Jan. 6, 1946, comparing with 186,000,000 kwh. for the corresponding week of 1945, or a decrease of 0.9%. Local distribution of electricity amounted to 177,200,000 kwh., compared with 178,600,000 kwh. for the corre-

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Operating Earnings of Manufacturers Trust Co. Greater Than Those of Last Year

Presiding at the annual meeting of the stockholders of the Manufacturers Trust Company of New York, on Jan. 9, Harvey D. Gibson, President, stated in his annual report that during the year 1945 the bank's capital funds had increased by $19,524,990.90. The annual dividend on the bank's stock was increased from $2 to $2.40 a share. Net operating earnings for the year 1945 amounted to $10,107,440.77 or $4.90 a share on the 2,062,500 shares outstanding at the present time after current operating expenses, dividends on preferred stock and reserve set up out of earnings, compared to net operating earnings of $8,011,681 or $4.86 a share shown for the year 1944 on the 1,649,922 shares then outstanding. Of the total earned in 1945, $4,124,954 was paid in dividends to common stockholders. Capital funds, which include capital stock, surplus and undivided profits, now amount to $113,137,361. This compares with $93,612,370 as of the close of 1944, thus accounting for the increase of $19,524,990.90.

Mr. Gibson explained to stockholders the readjustment of capital made in June last whereby 412,500 additional common shares were issued and whereby undivided profits were increased by transferring $10,000,000 from available unallocated valuation reserves which were no longer required for the purposes for which they were originally established, the reason for the readjustment being to provide funds sufficient to retire outstanding preferred stock completely and in addition to increase somewhat total capital funds. The 412,500 additional shares authorized were offered at $58 per share to stockholders, who subscribed for 310,800 shares. The remaining 101,700 shares were taken up by a group of underwriters at the same price and were promptly disposed of to the public at $58.50 per share. The proceeds thus obtained amounted to $23,925,000, less underwriting fees of $358,291.50, or a net of $23,566,708.50. The retirement of the preferred stock at the redemption price of $50 per share required $19,274,250 of this amount. Mr. Gibson stated that the 2,062,500 shares of one class of capital stock now outstanding as a result of the capital changes have a par value of $20 a share and a book value on Dec. 31, 1945, not including reserves, of $54.85 per share. This compares with a book value of $44.60 per share for the 1,649,922 shares which were outstanding at the close of 1944.

In this report Mr. Gibson noted that at the end of 1945, gross deposits, including the United States War Loan Deposits of $477,892,000, totaled $2,555,886,000. Eliminating the deposits of the U. S. Government, the gain in normal deposits for the year amounted to $387,479,000. Commercial, Thrift and Special Checking accounts now total approximately 668,000 in number. At the end of 1945, the bank's published resources for the first time aggregated over two and a half billion dollars amounting to $2,693,184,469.

With resect to loans Mr. Gibson stated that the bank had adjusted its policies to meet new loan conditions arising out of the end of the war, directing attention to small as well as large business loans with a special department to handle G. I. loans—a considerable number of which have already been made. He reported a marked improvement already taking place in the demand for industrial credit, commodity loans, accounts receivable loans and personal loans, and he further announced plans for greatly expanding activities in financing the retail purchase of automobiles, dealing direct with the consumer. The report shows current operating earnings of $34,550,725 in 1945 compared with $29,440,405 in 1944. In referring to the bank's earnings Mr. Gibson said:

"Our gross earnings for the year just passed are $5,110,300 higher than for 1944, due very largely to increased earnings from interest on securities and loans. On the other hand, the income tax on our earnings was $2,700,100 more than for the previous year and other taxes totaled $191,400 more; the substantial increase in thrift deposits has produced a proportionate increase in interest paid; Federal Deposit Insurance, in keeping with the growth of our deposits is appreciably more; and salary increases have also added considerably to our operating costs. This has all resulted in an increase of $4,945,000 in operating expense.

"As has been our custom for many years, net operating earnings do not include recoveries on items heretofore charged off or net profits from the purchase or sale of securities or from the sale of miscellaneous items above book values. Nor do they include charge-offs, settlement of claims, losses on assets sold, or additional reserves set up. During 1945 net profits from the sale of securities amounted to $3,777,327.43; miscellaneous recoveries and recoveries from items heretofore charged off totaled $1,141,237.13; various assets were disposed of at an aggregate net gain of $5,349.12. All of these non-recurring amounts, less the net taxes payable on them, were credited to Reserve accounts.

"As a result of some of these transactions during 1945, there were substantial savings of income taxes. In order that these non-recurring tax savings may not influence our earnings statement, your Board of Directors authorized the transfer, out of current earnings to Contingent Reserve account, of the sum of $903,000, the approximate amount of such tax savings."

According to the New York "Times" of Jan. 10 Mr. Gibson gave a partial picture of the interest of the bank in the Hotel New Yorker, where it had long been known to have a financial stake. The "Times" added:

"The trust company now owns the entire equity in the hotel at Eighth Avenue and Thirty-fourth Street, he said in answer to a question by a stockholder. It also owns all but a small portion of the second mortgage on the property, the balance of which belongs to Huron Corporation, a former affiliate.

"The Manufacturers' interest in the hotel, which is carried at $1, and originally at $13,000,000, is worth a 'great deal more money' than was invested originally, but the bank has no present intention of selling its interest, Mr. Gibson said. A first mortgage of $6,500,000 on the property is owned by the Equitable Life Assurance Society of the United States, he revealed.

The proposed annual pension for employes was approved at the Jan. 10 meeting of the stockholders.

Mail Service to Austria

Postmaster Albert Goldman announced on Dec. 31 that effective Jan. 2, letters not exceeding one ounce in weight and nonillustrated post cards, which may be on business as well as personal or family matters but limited to an exchange of information and ascertainment of facts, would be accepted for mailing to Austria. The postage rates applicable are five cents for each letter and three cents for each post card. Registration, money order, air mail, and parcel post services are not available at this time.

Small Homes Program For Vets Announced

Through a system of priorities for critical building materials, the Administration's program for new dwelling construction in the moderate price field in 1946 was expected to get under way by Jan. 15, on which date home builders who qualify were to be assigned a socalled "H.H." rating for scarce materials. Estimating that at least 400,000 homes would be built under the program next year, John D. Small, chief of the Civilian Production Administration ordered that dwellings costing $10,000 or less be offered first to veterans; top rent on such dwellings to be $80 per month.

The CPA head, according to the account given by the Associated Press in its Washington dispatch of Dec. 21, outlined a new regulation restoring ten kinds of critically scarce building materials to a priority system, to be allocated by application to the 52 field offices of the Federal Housing Administration.

Ratings will be awarded, the Associated Press stated, either to individual veterans who wish to build for themselves, or to builders desiring to erect one or more buildings. Housing already under way may be brought within the program, Small said, if it meets the $10,000 price limit, is offered first to veterans, and meets other standards outlined in the regulation.

The Associated Press continued:

All applicants for priorities assistance in obtaining materials must agree to make the housing available to veterans during the period of construction and for thirty days thereafter. At the conclusion of that period it may be sold or rented to a non-veteran at the same sale or rental applicable to veterans. Building materials covered by the new regulation are:

Common and face brick, clay sewer pipe, structural tile, gypsum board, gypsum lath, cast iron soil pipe and fittings, cast iron radiation equipment, bath tubs, lumber and millwork.

Here are principal provisions of the new regulation drawn up at the direction of President Truman in a move to ease the acute housing shortage:

1. Applicants for the so-called "H.H." ratings must submit specifications on homes to be built under the program, along with the price or rental at which the dwelling will be made available to veterans of World War II, including merchant seamen. The FHA must be satisfied that the proposed price or rent is "reasonably related to the cost of the proposed accommodations."

8. Builders must show they will be ready to start construction within sixty days. They also must demonstrate that they have effective control of the land, that financing is assured and that arrangements have been made for local building permits, utility services and the like. If construction has not been started within sixty days, the H. H. rating becomes void and a new application must be filed.

3. In the case of a resale, veterans or other purchasers are pledged to the same thirty-day waiting period, during which the dwelling must be offered exclusively to other veterans.

The sale must be made at or below the maximum sales price originally paid.

4. The regulation also provides for conversion of existing construction where it can be shown that this will result in increased housing facilities.

5. Building materials also may be channeled to dormitories or group housing for educational institutions for the benefit of veterans.

Yuletide Message of Pope Pius Hits Totalitarianism as Foremost Threat to Peace

In his reply to the Cardinals' traditional Christmas greeting, Pope Pius XII condemned totalitarianism as a source of war, and appealed to the world to return to the principles of Christianity, the Associated Press reported from Vatican City, Dec. 24. Noting that this was the first time in six years that Christmas was being celebrated at peace, the Pope added that it was not, however, a real peace. Urging return to Christian principles, he declared: "Let it not be said that this is not realism in politics. Experience should have taught all that the policy guided by eternal truths and the laws of God is the most real and tangible of policies."

The Pontiff appealed for humane treatment of political prisoners, the Associated Press continued in its dispatch, and asserted that in order to establish a basis of collaboration among nations, it was necessary that an attempt "to create the omnipotency of money be abandoned everywhere."

In the Associated Press accounts it was also stated:

Noting that many prisoners of war still were not repatriated, despite the end of the war, the Pontiff declared that repatriation was being held up in some cases without just cause.

"Totalitarianism is incompatible with true and sane democracy," the Pope said. "Like a dangerous germ, it poisons the community of nations and renders it incapable of guaranteeing the safety of individual peoples. It represents a continued danger of war."

The Pontiff, indicating the fundamental moral prerequisites of a true and lasting peace, reduced these to 3 short considerations; these as given in the Associated Press and published in the New York "Times" were:

"1. The present hour calls imperiously for collaboration, goodwill, reciprocal confidence in all peoples. Motives of hate, vengeance, rivalry, antagonism, unfair and dishonest competition must be kept out of political and economic debates and decisions. "Who can say," we may add, in the words of Sacred Scripture (Proverbs. XX, 9-10) "my heart is clean, I am pure from sin? Diverse weights and diverse measures, both are abominable before God." Anyone, then, who exacts the expiation of crime through the just punishment of criminals because of their misdeeds should take good care not to do himself what he denounces in others as misdeeds or crime. One who seeks reparations should base his claim on moral principles, respect for those inviolable natural rights which remain valid even for those who have surrendered unconditionally to the victor. One who asks for security in the future should not forget that its only true guarantee lies in one's own internal force—that is, in safeguarding the family, children, labor, in fraternal charity, the outlawing of all hate, all persecution, all unjust vexation of honest citizens, in loyal concord between State and State, between people and people.

"2. To secure this, men must everywhere forego the artificial creation, through the power of wealth, of arbitrary censorship, onesided judgments and false assertions, of a so-called public opinion which sways the ideas and will of the electorate like reeds shaken by the wind. Let due heed be paid to the true and overwhelming majority of men, made up of those who live honestly and peacefully by their own labor in their own family circle, and who desire to do the will of God. In their eyes, disputes for more advantageous frontiers and the scramble for the treasure of the earth, even if not of necessity and a priori unjust in themselves, are at least always a dangerous venture which cannot be entered on without the risk of causing an accumulation of death and ruins. The vast majority of good fathers and mothers of families want to protect and safeguard the future of their own children against the pretensions of every policy of brute force against the arbitrary totalitarianism of the powerful state.

"3. The force of the totalitarian state. The whole surface of the globe, reddened with the bloodshed in these terrible years, cries aloud the tyranny of such a state.

"The fabric of peace would rest on a tottering and ever-threatening base if an end were not put to such totalitarianism, which lowers man to the state of a mere pawn in the game of politics, a cipher in economic calculations. With a stroke of the pen it changes the frontiers of states; by a peremptory decision it deprives a people's economy—always part of its life as a nation—of its natural outlets; with ill-concealed cruelty it, too, drives millions of men, hundreds of thousands of families, in the most squalid misery, from their homes and lands, tears them out by the roots and wrenches them from a civilization and culture which they had striven for generations to develop.

"It also sets arbitrary bounds to the necessity and right of migration, and to the desire to colonize. All this constitutes a policy contrary to the dignity and welfare of the human race.

"And yet by the Divine Right it is not the will or the power of fortuitious and unstable vested interests, but man in the framework of the family and of society, who by his labor is lord of the world. Consequently this totalitarianism fails by what is the only measure of progress, namely the progressive creation of ever more ample and better conditions in public life to ensure that the family can evolve as an economic, juridic, moral and religious unit.

"Within the confines of each particular nation as much as in the whole family of peoples, state totalitarianism is incompatible with a true and healthy democracy. Like a dangerous germ it infects the community of nations and renders it incapable of guaranteeing the security of individual peoples. It constitutes a continual menace of war.

"The future peace structure aims at outlawing from the world every aggressive use of force, every war of aggression. Who could not greet such an intention enthusiastically, especially in its effective realization?

"But if this is to be something more than a beautiful gesture, all oppression and all arbitrary action from within and without must be banned.

"In the face of this accepted state of affairs, there remains but one solution: a return to God and to the order established by Him.

"The more the veil is lifted from the origin and increase of those forces which brought about the war, the clearer it becomes that they were the heirs, the bearers and continuers of errors of which the essential element was the neglect, overthrow, denial and contempt of Christian thought and principles.

"If, then, the root of the evil lies here, there is but one remedy: to go back to the order fixed by God also in relations between the states and peoples; to go back to a real Christianity within the state and among states. And let it not be said that this is not realism in politics. Experience should have taught all that the policy guided by eternal truths and the laws of God is the most real and tangible of policies. Realistic politicians who think otherwise pile up only ruins.

The Financial Situation

(Continued from first page)

something of the sort. Take, for example, the following excerpts from the text of the report:

On the other hand, if the first 12 months of production be judged as a whole there is every evidence that the company will experience a tremendous production, equal at least to that of 1941 (footnote 13), which was the highest peacetime year in the company's history; that toward the end of the year, increased productivity will begin to make itself felt and output will begin to surpass that of 1941; and that in these circumstances the company ought certainly to be included among those employers who are capable of making substantial wage increases for the benefit of their workers and of the nation. . . .

Much depends upon unpredictable human elements, and the available data are scanty and not altogether dependable. On balance, we think it reasonable to expect that in the early months of the new period productivity will be somewhat less than in 1941; that in the latter months it will be somewhat higher; and that the over-all average output per manhour for the 12 months will not be less than in 1941. This conclusion represents our best judgment and cannot be statistically verified. If there be error in this judgment, it is probably on the conservative side. . . .

In earning capacity, and in prospects for profitable and continuous maximum production, it is outstanding among American corporations.

Here, obviously, are not facts, but judgments about the future. Of course, whether the Board, the President or any of the others realize it or not, there is no rational basis for the settlement of such disputes as this one except appraisals of the future, sound, careful, experienced judgments, or "hope," as one of the executives of General Motors Corporation explained the other day. This plain and inescapable fact doubtless accounts for other significant passages in the report — indeed very nearly the only significant passages to be found therein. From some of these we quote further:

The company faces a period unprecedented in its history, when the demand for its products will in all likelihood exceed its maximum capacity to produce. The company will go into this period in a very favorable position: With a more efficient working force, as experienced workers return from the war and take the place of newcomers to industry; with the new and up-to-the-minute plant facilities, which will come into operation in the latter part of the year; and with an increasing productivity through technological advance which can be expected to make itself felt significantly at least toward the end of the first year of operation. . . .

So far as the rest of the automobile industry is concerned, it is recognized that the settlement in this case will affect the wage levels of all automobile companies, not necessarily identically or all at once, but fairly speedily and more or less to the same extent. It is well known that General Motors has consistently been the most profitable of the automobile companies. Only one other company approaches it in this respect. Except in the case of General Motors, however, published data on hours, wage rates, material costs, income and profits are meagre. We have examined them and are unable to come to any clear conclusions; but one fact stands out, and that is that all the companies produced in 1941 much less in proportion to their capacity than General Motors, and therefore, under the peak demand to be expected in 1946, they are likely to be able to operate at a proportionately higher volume in relation to 1941 output than General Motors. Under these circumstances we do not think that there would be any occasion for considering a downward adjustment of the proposed General Motors wage increase on the ground of price consequences to the industry. . . .

In satisfying ourselves that, in our judgment, the company can pay, in the first twelve months after the resumption of production, the recommended wage increase without increasing prices we have assumed that (a) General Motors will sell its products at its 1942 schedule of prices, (b) productivity will be no greater than in 1941, (c) aggregate volume of production will equal that of 1941, (d) material costs to General Motors have increased 15% since 1941 and may increase more, (e) total payrolls have increased and will increase proportionately with wage increases and (f) selling, general and administrative costs will be somewhat higher than in 1941.

Our calculations show that, under these assumptions, the company can earn, in the first twelve months following the resumption of production, profits in excess of those of the base period used by the Office of Price Administration for pricing purposes.

High Profits Are Cited

Such a result is possible principally because (a) prices of General Motors' 1942 models are slightly more than 12% above 1941 models, thus yielding a substantial increase in income on an equal volume of production, and (b) General Motors' 1941 profits were the highest in the history of the company.

It does not follow, of course, that the company will not apply for price increases; nor do we attempt to forecast what the Office of Price Administration would do should an application be made after such approval by the National Wage Stabilization Board as might be required. We have not felt it proper for us to consult the Office of Price Administration on this matter.

It is because of continued shortages of materials and other uncertainties in production, that we have not felt justified in estimating for the first twelve months following resumption of work a total production in excess of that achieved by General Motors in 1941.

We recognize, of course, that General Motors will gradually achieve higher and higher output, only the time factor being in question. Certainly as General Motors' new plants come into operation, it may exceed in 1947 its 1941 production by as much as 50%.

This desirable development will greatly increase the company's profits and will give it the pleasant task of determining how such profits shall be distributed—to stockholders, to reserves, and to consumers generally in the form of higher quality and lower-priced products.

There are those — and among them are a number of individuals of definitely more than average understanding of financial and related matters—who wonder why General Motors Corporation did not find it advisable to accept the suggestion of the Board. It seems to us that the explanation is plainly written across the face of the extracts from the Board's report quoted above. It may or may not be possible for the Corporation to drive a better bargain at this time. As to this we are hardly in a position to say. That, however, is not the point.

The basic question is: Who is to appraise the future and formulate corporation policy on the basis thereof? The Corporation itself, or a government board? It would be most unwise to permit the impression to prevail that the Corporation had yielded to the "official" findings as superior or even equal to its own in this matter — and thereby created an exceedingly dangerous precedent.

And how could the Board's recommendations be accepted forthwith without creating precisely such an impression?

Operating Earnings Of Guaranty Trust Co.

Potter to Retire From Active Duty

The annual report of Guaranty Trust Company of New York, signed by Eugene W. Stetson, Chairman of the Board, and J. Luther Cleveland, President, issued to stockholders on Jan. 8 in advance of the annual meeting to be held on Jan. 16, shows net current operating earnings for 1945 of $17,157,091, compared with $16,318,760 for 1944. In addition, investment security profits were $5,181,436, compared with $4,642,-503 for the year 1944. Miscellaneous charges (net) amounted to $84,843 in 1945 compared with $330,546 in 1944; and in each of these years $1,000,000 was transferred from earnings to General Contingency Reserve.

Total resources were $3,813,507,-042 and deposits were $3,309,452,-507 and capital, surplus and undivided profits on Dec. 31, 1945, totalled $312,676,255. The general contingency reserve at the end of the year was $35,718,021. Holdings of U. S. Government obligations of $2,059,320,457 continued to represent the largest part of earning assets. The Company's U. S. War Loan Deposit at the end of 1945 amounted to $839,478,612, as compared with $1,064,387,538 a year earlier.

The report contained the announcement that at his own request William C. Potter, Chairman of the Executive Committee, will retire from active duty with the Company on Jan. 16. However, Mr. Potter is included among the nominees for reelection as a director and has agreed to retain an office in the bank and to give the management the benefit of his experience and advice.

Mr. Potter became associated with the Company as Vice-President in 1912 and was elected a director the following year. He resigned as Vice-President in 1916 to become a member of the firm of Guggenheim Brothers, but continued to serve as a director and member of the Executive Committee. He became Chairman of the Board of the trust company in 1921, was elected President on Oct. 5 that year, and held that office until January, 1934, when he was elected Chairman of the Board. He was elected Chairman of the Executive Committee on Jan. 15, 1941.

Fact-Finding Board Reports On General Motors Dispute

Recommends a General Wage Increase of 19½ Cents per Hour, or 6 Cents Above Company's Offer. Says Proposal Is in Line With National Wage-Price Policy and Is Related to Adjustments Which Have Already Been Made in Portions of American Industry. Award Accepted by UAW Union, but Rejected by General Motors as Unacceptable in Whole or in Part as Basis for Settling Strike. GM Says Offer of Hourly Increase of 13½ Cents Still Stands and "Refuses to Pay Higher Than Competitive Wages Because of Financial Ability."

In accordance with its plan, the three members of the Fact-Finding Board appointed by President Harry S. Truman, consisting of Lloyd K. Garrison, Milton S. Eisenhower and Walter P. Stacy, issued its report on Jan. 10. This document of over 20,000 words, which covers every phase of the dispute between the UAW-CIO Union and the General Motors Corp., specifically recommends that the company grant a general wage increase of 19½ cents per hour to members of the Union and that the 1945 contract between General Motors and the Union, which was cancelled by the Company on Dec. 10 last, be restored. As was expected, the Union officials announced in a letter to the President, dated Jan. 13, that they were willing to accept the Fact-Finding Board's recommendation, but the General Motors, within 24 hours after the recommendations were made public, issued a statement through its President, C. E. Wilson, that the recommendations were "unacceptable in whole or in part."

The recommendations of the Fact-Finding Board as contained in its report to the President, together with the formal replies of General Motors and the Union's officials, follows:

Recommended Settlement by Board

"Since it is apparent that the parties cannot reach an agreement, it falls to this Board to recommend a specific figure in the hope that it will afford a basis for bringing this prolonged conflict to a prompt and peaceful end.

"Taking into account all the circumstances, the Board has concluded that a general wage increase of 19½ cents, or six cents above the Company's offer, would be fair and consistent with the public interest in the maintenance of a stabilized economy.

"To each of the parties we make the following comments with respect to this recommendation.

"To the Company we have this to say:

"1. The award is within the probable range of the loss of take-home pay which will result from a shorter average work-week in 1946. If we have under-estimated the probable extent of overtime in 1946, there is an element of loss of earnings through down-grading and demotion which, though it cannot be measured, should in our judgment be given some weight along with loss of earnings through shorter hours.

"2. The proposal is in line with the national wage-price policy.

3. It is reasonably related to adjustments which have already been made by some portions of American industry. As a leader of American industry, General Motors ought to stand in the forefront of those employers who are doing what they can to cushion for their workers the economic shock of the transition from war production to civilian production.

"4. The Company faces a period unprecedented in its history, when the demand for its products will in all likelihood exceed its maximum capacity to produce. The Company will go into this period in a very favorable position: with a more efficient working force, as experienced workers return from the war and take the place of newcomers to industry; with new and up-to-the-minute plant facilities, which will come into operation in the latter part of the year; and with an increasing productivity through technological advance which can be expected to make itself felt significantly at least toward the end of the first year of operation.

"To the Union and to the workers we have this to say:

1. If, as we believe is probable, the hours worked in 1946 will average a fraction over 40, based on a normal 40-hour week, the amount here recommended would make up the entire loss of earnings from reduction of the wartime hours worked in 1944. If the hours should average close to 41, the loss would be more than made up, and overtime premium pay would further increase the effect of the benefit.

"2. If in this respect our judgment hould prove faulty and the hours should average 40 or less, the loss would still to a very large extent be made up. President Truman said on Oct. 30, 1945, "We cannot hope, with a reduced work week, to maintain now the same take-home pay for labor generally that it has had during the war. There will have to be a drop. But the Nation cannot afford to have that drop too drastic." If there should be a drop in this case, we do not believe that it would be a drastic one.

"We conclude with these general observations:

"1. There is laid upon us an obligation not to recommend an increase which we believe would have inflationary consequences. We have satisfied our consciences on that score so far as the Company is concerned.

"In weighing the General Motors offer of 13½ cents, (approximately 12%) we think it pertinent to consider how other companies and industries have been meeting the present-day problem of wage adjustment.

"Information from the Bureau of Labor Statistics indicates a steady flow of substantial wage increases in varying amounts, company by company and industry by industry. These variations are, of course, to be expected, and will continue. Some of the adjustments are only provisional, with reopening provisions contingent upon the settlement in General Motors. These provisions were entered into with the expectation that higher adjustments would result from that settlement.

"The situation as reported to us may be summarized by saying that if General Motors were to make a wage adjustment limited to 13½ cents it would fall definitely into the lower group of employers who have been granting wage increases, and that if it were to make an adjustment of 16 cents or more it would be in the category of the highest-paying employers and in the position of leadership of American industry which it has occupied in the past. In earning capacity, and in prospects for profitable and continuous maximum production, it is outstanding among Aemirican corporations. We stress this fact not as a ground in and of itself for establishing a wage increase,

but as a significant element which may properly be taken into account in determining the full weight to be attached to the factors of cost-of-living, reduction of weekly hours and **down-grading** and demotions.

"2. So far as the rest of the automobile industry is concerned, it is recognized that the settlement in this case will affect the wage levels of all automobile companies, not necessarily identically or all at once, but fairly speedily and more or less to the same extent. It is well known that General Motors has consistently been the most profitable of the automobile companies. Only one other company approaches it in this respect. Except in the case of General Motors, however, published data on hours, wage rates, material costs, income and profits are meagre. We have examined them and are unable to come to any clear conclusions; but one fact stands out, and that is that all the companies produced in 1941 much less in proportion to their capacity than General Motors, and therefore, under the peak demand to be expected in 1946, they are likely to be able to operate at a proportionately higher volume in relation to 1941 output than General Motors. Under these circumstances we do not think that there would be any occasion for considering a downward adjustment of the proposed General Motors wage increase on the ground of price consequences to the industry.

"3. So far as industry generally is concerned, we wish to emphasize as sharply as we know how the fact that we have endeavored to decide this case upon its own particular merits. We have not evolved any formula or set of rules to be applied in other cases. Each case must stand upon its own footing and be judged accordingly."

IV. Specific Recommendations

"1. We recommend that the company grant a general wage increase of 19½ cents an hour.

"2. In line with the customary practice of American industry in similar situations, we recommend that the status quo prevailing before the strike be restored by the reinstatement of the 1945 contract between the parties, which the company cancelled on Dec. 10, 1945 (as it had a right to do).

"3. We recommend that after the reinstatement of the contract and pending its expiration on April 28, 1946 the parties settle by collective bargaining the remaining issues between them.

"4. We recommend that the strike be called off and that the employees be returned to work without discrimination because of their participation in the strike.

"5. We recommend that the management, the union, and the workers join in a whole-hearted effort to restore production as speedily as possible; to continue it without interruption; and to lift it to new levels of efficiency and capacity in the interests of all the people."

(Signed) Lloyd K. Garrison
Milton S. Eisenhower
Walter P. Stacy

The General Motors Reply

C. E. Wilson, President of General Motors, on Jan. 11 made the following statement with reference to the Fact-Finding Board's recommendations:

"The Fact-Finding Board's report recommending a wage increase of 19½ cents per hour and the reinstatement of the wartime labor agreement between General Motors and the UAW-CIO, which after careful consideration was cancelled by General Motors on Dec. 10, 1945, is unacceptable to General Motors in whole or in part as a basis for settling the UAW-CIO strike of General Motors plants.

"The General Motors offer to increase the wages of all hourly-rated employees an average of 13½ cents per hour, or $1.08 per day, still stands. The Government has stated that living costs are up 33% over 1941. Our offer, when combined with other increases made since January, 1941, fully compensates for this accepted increase in the cost of living and would raise the average employee's rate of pay more than 33% over what it was in January, 1941.

"The additional six cents recommended by the Board members is based on certain assumptions by them which in the opinion of General Motors are unsound. The Board tried to justify this amount in part by devious take-home pay arguments. Actually, the recommendation is based on the assumed ability of General Motors to pay this excess wage. The Board made its own forecast of the future operations of the business and its own estimate of profits that might result from such operation. General Motors has rejected the unsound principle that a specific company should be forced to pay higher than competitive wages because of its financial ability.

"The cancelled General Motors UAW-CIO agreement contains many provisions ordered by the National War Labor Board. These provisions were included as a result of the war emergency and at a time when the Union's no-strike pledge was in force. Provisions ordered by the National War Labor Board were not arrived at through collective bargaining but were accepted under protest and only because of the war. Many provisions of the cancelled agreement were not practical and sound for peacetime operations. A better agreement must be devised through collective bargaining to assure efficient and uninterrupted operation of General Motors plants."

The Union's Acceptance

On Jan. 13, within two days after the Fact-Finding report, the General Motors Council of the CIO United Auto Workers, according to the New York "Times," sent to President Truman the following letter accepting the terms recommended:

"Delegates to the National UAW-CIO General Motors conference, representing 300,000 workers on strike, have carefully considered the report of your Fact-Finding Board in a special meeting in Detroit today.

"We have voted to recommend to the General Motors workers that they accept the Board's recommendations of a 19½-cent-an-hour wage increase and reinstatement of the 1945 contract on the following conditions:

"That you are successful in persuading the corporation to reconsider and accept the Board's recommendations by Jan. 21, 1946. We are willing to postpone achievement of our full equity in the situation in the public interest. For that reason, and that alone, we make the above offer.

"Unless the corporation changes its present position and accepts the recommendations it must assume full responsibility for prolonging the strike and for forcing upon the General Motors strikers and the nation further hardship.

"In the event the corporation does not accept the Board's recommendations by Jan. 21, we shall have no choice but to withdraw our offer to accept the Board's recommendation of a 19½-cent-an-hour increase and insist upon our equitable demands.

"If you are able to secure the corporation's acceptance of the 19½ cents increase and the reinstatement of the 1945 contract, and the corporation negotiates a satisfactory settlement of local issues, on that basis we are prepared to terminate the strike.

"We welcome the clear statement in the Fact-Finding Board's report that the wage increase will not require any price increase. We believe that this represents a smashing victory for the General Motors workers, for the policies of your Administration, Mr. President, and for the American consumers as a whole.

"We believe that the courage and sacrifice of the men and women who have manned the General Motors picket lines for nearly 60 days deserves the honor and respect of every American for the successful fight they have made to hold the price line. They have been, and still are, a bulwark against higher prices and inflation.

"Our offer to you, to accept the Board's recommendation for a 19½ - cent - an - hour increase, is made as our contribution to the national interest and with a view to achieving full production and full employment at the earliest date.

"We are constrained to say that the 19½-cent-an-hour figure does not grant the GM workers the increase which the arithmetic of our case proved and justified.

"The 19½ cents wage increase which the Fact-Finding Board recommends represents a finding of fact for the volume of production achieved in 1941.

"The Fact-Finding Board in assuming that 1946 production levels would not exceed 1941 levels departed seriously not only from the facts of the General Motors case but from the objectives of new high levels or production and employment without which the economic basis of peace connot be achieved.

"General Motors workers have more faith than your Fact-Finding Board in America's ability to achieve record levels of production in 1946. The war demonstrated the productive ability of our tools of abundance.

"We want to use these tools of abundance in peace and we want to use them in full in 1946. Record volume of production in auto and other industries can be achieved in 1946. Maximum production is our most potent weapon against inflation. Nineteen Forty-Six levels of auto production will far exceed the 1941 levels.

"The Board's report lays the basis on which the General Motors workers can in the future rightly claim additional compensation as we achieve these higher levels of production.

"Capricious" Acts Charged

"We believe you should call to the attention of the American people the record of capricious irresponsibility displayed by General Motors in this dispute. The General Motors Corporation refused to bargain in good faith, refused Government conciliation, rejected arbitration, scorned cooperation with your Fact-Finding Board and now, within 24 hours after this report was issued, and without giving it serious consideration, General Motors has rejected the Board's recommendation.

"It is regrettable that in our democracy the managerial clique that rules this two-billion-dollar corporation can be self-deluded into thinking of itself as a sovereign state, not subject to the same moral laws that regulate our other institutions and not responsible to the interests of the nation and its people.

"Since the corporation has rejected the Board's recommendations we are forced to intensify further our strike action.

"We are, therefore, informing you that we are requesting the UAW-CIO Strike Strategy Committee to take steps to see that UAW members in tool and die-jobbing shops immediately cease work on all General Motors work.

"If necessary, we shall ask that the same action be taken in plants working on General Motors parts and accessories, in order to bring the full weight of the Union's economic pressure to bear upon the corporation. This is an economic weapon whose use we had withheld thus far in the hope that a fair settlement could be reached without resorting to that action. But apparently economic force is the only language this insolent corporation understands."

Gain in Net Operating Earnings Reported by National City Bank

In the annual report presented to the shareholders of the National City Bank of New York on Jan. 8, it was indicated that "for the year 1945 the combined net current operating earnings of the National City Bank and the City Bank Farmers Trust Company were $17,592,420, or $2.84 per share on the 6,200,000 shares outstanding in comparison with $16,443,035, or $2.65 per share for 1944." "If net profits from sales of securities (after taxes) are included," said the report, "the total for the bank and the trust company was $25,525,953 or $4.12 per share compared with $23,917,565 or $3.86 per share in 1944. These earnings," it was added, "do not include recoveries which were transferred to reserves. In the case of the trust company, net profits from sales of securities were also added to reserves."

The report, which was signed by Gordon S. Rentschler, Chairman of the board; W. Randolph Burgess, Vice-Chairman, and Wm. Gage Brady, Jr., President, noted that for the bank alone net current operating earnings were $16,393,098 compared with $15,355,511 in 1944. The total, including net profits from sales of securities, amounted to $23,725,059 compared with $22,498,713.

Mr. Burgess delivered the report, in which it was observed that "our reconversion problem is less than that of industry. We do not have to clear our floors of machines and install new ones, but we do face a change in volume of different sorts of work, a reorganization of staff, and an adjustment to a different world than in 1939 when the war clouds closed in."

Continuing, the report said:

"How much the bank has changed since then is shown by a few figures. Our deposits at the end of 1939 were $2,331,000,000 compared with $5,143,000,000 on Dec. 31, 1945, a 121% increase; our Government security holdings have increased from $734,000,000 to $2,773,000,000. We handled more than 125 million checks in 1945, an increase of 17% over 1939; we issued commercial credits for exports and imports greater in number by 28% and in amount by 74%. In the same period our sales of travelers' checks increased 125%, and our cable transfers of funds doubled.

"These figures, of course, reflect the country's immense expansion of production and the huge credit inflation involved in financing the war. They are a sharp reminder also that the Nation's central financial problem is inflation—whether the vast accumulation of extra funds will be used to finance an inflationary boom or, with wise use, to finance a period of sustained high production, employment, and well-being. This question will not be decided by Government alone or by any financial legerdemain, but by the behavior of the people. We recognize that, as citizen members of a great financial institution, we have a share in this responsibility."

In the report it was also stated:

"With the termination of the war, loans for war purposes under various Governmental plans are running off, and applications for credit through normal channels and methods are showing an increase both in inquiries and in actual credits extended, including credits opened for financing foreign trade, and renewed calls for personal loans. This is an encouraging indication of business activity."

As to deposits, the report said:

"Total deposits of the bank at the year-end were $5,143,000,000, which exceeds the total a year ago by $938,000,000. The continued expansion of bank credit is, as mentioned earlier, the result of the Treasury's war financing program which culminated with the Victory Drive in November. The future trend of deposits will depend largely upon the Government's fiscal policy, whether the budget is brought under control or deficit financing continues. Other factors will be the extent of the sale or redemption of bonds by investors, the return of part of the $28 billion of currency in circulation, and the shifts of deposits across the country under peacetime needs and practices."

From the report we also quote:

"Dividends of $4,030,000 or 65 cents a share were paid by the bank for the first half-year and dividends aggregating $4,960,000 or 80 cents a share have been declared by the bank and trust company for the second half. The trust company's part of this amount for the second half-year is $310,000.

"The greater part of the year's earnings for the bank after dividends together with released reserves of $6,500,000, representing largely the sale of our minority stock interest in the Vertientes-Camaguey Sugar Co., were used for a transfer of $20,000,000 to surplus. At the year-end, capital of the bank remains at $77,500,000, surplus becomes $142,500,000, and the undivided profits account is slightly increased at $29,294,238.

"In the case of the trust company, all current earnings in excess of dividends were added to undivided profits. At the year-end the trust company has capital of $10,000,000, surplus of $10,000,000 and undivided profits of $7,221,636. The two institutions thus show combined capital funds, that is, capital, surplus and undivided profits, of $276,515,874.

"We continue to follow a conservative policy in the valuation of assets. Unallocated reserves which are deducted in arriving at the published asset figures together with other reserves, including values of assets in excess of book values (but exclusive of market appreciation on the bond account), total approximately $40,000,000."

The report also stated that "the condition of the branches in enemy occupied areas as we were able to reoccupy them again has proved to be better than we had feared, and the reserves we set up still appear to be more than adequate to cover any possible loss."

Bill for Adjustment of El Salvador Debt

The Foreign Bondholders Protective Council Inc., New York, was recently advised that a bill for adjustment of the foreign debt of El Salvador was enacted by the National Assembly of that country. The adjustment in general follows the terms announced in 1944, but 50% of interest arrears for eight years is now scheduled to be funded with interest thereon at 3%. The advices also state:

"The Council has stated its willingness to recommend the proposed debt adjustment to the favorable consideration of the bondholders when the required implementing decrees have been issued and a formal offer is made to the holders of dollar bonds. At best some weeks will be required for further steps preliminary to an offer."

Items About Banks, Trust Companies

Inasmuch as figures of the Colonial Trust Company of New York, originally received by us, and used in our Jan. 10 issue, page 173, have been superseded by corrected copy, we are giving herewith the latest year-end figures made available:

"Colonial Trust Co. reported as of Dec. 31, 1945, total deposits of $60,623,057, compared with $50,273,864 on Dec. 31, 1944. Total resources of the bank amounted to $65,261,820 at the end of the year, against $52,001,037 a year ago.

"Cash on hand and due from banks amounted to $14,491,320, compared with $11,979,197 a year ago. Holdings of United States Government obligations were $29,314,415, compared with $26,173,895 a year previous. Loans and bills purchased amounted to $18,344,041, against $13,175,560 on Dec. 31, 1944.

"Capital was $1,500,000, compared to $1,000,000 on Dec. 31, 1944, the difference being represented by Capital Debentures purchased by interests identified with the management. Surplus and Undivided Profits were $1,009,947, compared with $620,440 a year ago."

The Corn Exchange Bank Trust Company of New York announced in its statement of condition as of Dec. 31, 1945 that deposits and other liabilities amounted to $842,036,888 as compared with $680,602,630 a year ago. Total resources were announced at $882,047,904 in the most recent report, while they stood at $718,781,202 on Dec. 31, 1944. Holdings of U. S. Government securities are now $615,281,573 as compared with $491,375,697 a year ago; cash in vaults and due from banks at the end of Dec. was shown to be $178,687,417 against $155,327,786 last year. Loans and discounts were announced at $55,445,681 as compared with the figure for last year of $38,719,585. Capital has remained unchanged for the last year at $15,000,000 while surplus and undivided profits rose from $23,178,571 on Dec. 31, 1944 to $25,011,016 at the present time.

At its organization meeting the board of directors of the Corn Exchange Bank Trust Company of New York made the following promotions and appointments: R. Le Roy Corbett, formerly Assistant Vice President, to Vice President; Merwin S. Jenkins, formerly Assistant Secretary, to Assistant Vice President; William A. Nash, W. Kenneth Wilson and John E. Griffin were promoted to Assistant Secretaries. All other officers were either re-elected or re-appointed.

Francis W. Cole, Chairman of the Board of the Travelers Insurance Co., was elected a director of The Chase National Bank of New York at the annual meeting of the shareholders of the bank on Jan. 8. Malcolm G Chace and Thomas N. McCarter, both of whom have served as directors of The Chase National Bank for 21 years, requested that their names not be presented for re-election because they wish to retire from active business responsibilities. The other members of the board were reelected.

Alfred W. Barth, Second Vice President of The Chase National Bank of New York, has recently returned from a business trip to Europe where he visited Switzerland, Spain and Portugal.

H. P. O'Shea has been appointed by the Bank of Montreal as Assistant Superintendent of the business development department, with offices in New York. Mr. O'Shea was formerly a special representative in the same department.

In its statement of condition as of Dec. 31, 1945, the Marine Midland Trust Co. of New York announced that total resources now stand at $370,276,323 and total deposits are $347,885,667 as compared respectively with $304,252,908 and $283,067,049 on Dec. 31, 1944. Cash and due from banks in the latest report amounted to $90,766,660 against $65,910,154 last year; United States Government obligations is shown to be $149,538,263 as compared with last year's figure of $129,323,993. The capital of the bank has remained unchanged at $5,000,000, while the surplus has increased from $10,000,000 last year to $12,500,000 at the present time. Undivided profits now totals $2,250,515 as compared with $3,378,136 on Dec. 31, 1944.

At the annual shareholders meeting on Jan. 8, E. Chester Gersten, President of the Public National Bank & Trust Co. of New York, reported that during 1945 the Bank had passed the half-billion dollar mark, for the first time and that its capital funds had been substantially increased. Total deposits as of the close of 1945 were $545,000,000 as compared with $415,000,000 at the end of 1944, both record figures. Included in these amounts were respectively, U. S. Government deposits of $83,000,000 and $58,000,000. Capital, surplus and undivided profits at the end of the year totaled $26,892,000 as against $20,508,000 at the close of 1944. Operating earnings for 1945 after substantial increases in expenses for salaries and taxes were $2,094,000 or $4.76 per share on 440,000 shares, as compared with $1,786,000 or $4.47 per share on 400,000 shares for the previous year. Such earnings were exclusive of profits on securities and recoveries. Mr. Gersten also reported that 71 of the men who had left the bank to join the armed forces had returned to their jobs.

At the annual meeting of shareholders of Sterling National Bank & Trust Company of New York, it was reported that net operating earnings for the year 1945, after expenses and taxes, had amounted to $470,089 or $7.83 per share, which compares with $5.58 per share earned for the year 1944. These earnings do not include net profit and recoveries on securities, which amounted to $572,968 after taxes. Of the total net operating earnings, and net profit and recoveries on securities, $608,329 was applied to reserves, bond account, and so forth, and the balance was added in the course of the year to surplus and undivided profits. Book value as of Dec. 31, 1945 equalled $91.75 per share as against $84.51 per share a year ago.

Capital, surplus and undivided profits on Dec. 31, 1945, totalled $5,505,355 and represented an increase of $434,728 over the corresponding figures shown on Dec. 31, 1944. Loans and Discounts at the end of the year were $37,159,415 and showed an increase of $5,990,435 over the corresponding item at the end of 1944. Deposits on Dec. 31, 1945 were $167,417,603 representing a gain of $46,043,439 over deposits at the end of 1944. Total resources on Dec. 31, 1945 were $174,725,392, and showed an increase for the year of $46,860,412.

During the year 1945, the bank handled 23,758 subscriptions to war bonds with aggregate sales of $62,257,795. Since inauguration of war bond campaigns, sales in excess of $103,000,000 were made by the bank to its customers. In the latter part of 1945, a Personal Credit Department was established as part of a program to extend the bank's entire consumer credit facilities.

H. Donald Harvey of The Hammond, Harvey Braxton, Co., New York corporate financing organization, has been elected a Trustee of Union Square Savings Bank of New York it is announced by R. H. Brownell, President of the bank.

On behalf of the Board of Trustees DeCoursey Fales, President of The Bank for Savings of New York made the first presentation of service rings to veterans returning to the bank, at a ceremony held in the main banking room recently. Included were: Herman T. Blohm, George Breen, W. Douglas Knapp, Armand Luna, Francis McCaffrey, Robert MacDonald, Victor Masseboeuf, Alfred Mills, Edwin Picken, Albert Schafenberg, Girlando Titone, Frank J. Vavra and Lawrence Wilcox.

The Board has awarded service rings to each returning veteran and subsequent presentations will be held as additional men return from service. Fifty-one of the bank's employes were engaged in World War II of whom 22 have now returned to the bank's staff. Most of the remainder are expected to return by late spring.

Total resources of the Lafayette National Bank of Brooklyn reached a new high at the 1945 year-end at $38,483,000, a record gain of $7,503,641 or 24% over a year earlier, the bank's Dec. 31 condition statement discloses. Deposits aggregated $36,627,447 on Dec. 31 last compared with $29,385,324 at the close of 1944, while holdings of U. S. Government obligations amounted to $24,307,243 against $16,711,473.

Gross earnings of the Philadelphia National Bank of Philadelphia for the year 1945 aggregated $11,957,511 against $11,888,516 in 1944, while operating charges were $6,366,724 against $5,968,269. After giving consideration to the transfer of credits and debits to profit and loss account, the net profits for the past year were $5,985,472 compared with $5,777,017 in 1944. Total resources at the 1945 year end were $868,517,977 compared with $774,123,070 a year earlier.

Robert V. White, President of Lehigh Coal & Navigation Co., and Floyd T. Starr, Second Vice President of Penn Mutual Life Insurance Co., have been elected directors of The Philadelphia National Bank. At the bank's annual meeting the following directors were re-elected to serve for the ensuing year: John Hampton Barnes, Morris L. Clothier, Charlton Yarnall, Evan Randolph, George F. Tyler, Sydney E. Hutchinson, A. G. Rosengarten, Richard D. Wood, I. W. Booth, John O. Platt, P. Blair Lee, William Clarke Mason, G. Willing Pepper, William L. McLean, Jr., J. R. Downes, J. William Hardt, Arthur Littleton, Jay Cooke, William L. Batt and Charles S. Cheston.

Net earnings totaling $1,433,580 for 1945 were reported by the Provident Trust of Philadelphia at the annual meeting of stockholders. This represents a gain of $321,354 over earnings for the previous year of $1,112,226. In his report to the stockholders, W. Logan MacCoy, President, announced net operating earnings, not incluuding profits on the sales of securities nor recoveries on items previously charged down, amounting to $930,215 compared with $798,614 in 1944. During the year, capital funds were increased by the transfer to surplus of $1,000,000 from undivided profits and $500,000 from the reserve for contingencies, thus increasing surplus from $8,000,000 to $9,500,000. At the year-end, marketable bonds and stocks owned had a total market value of $4,197,174 in excess of book value as compared with $2,957,806 a year ago.

In its statement of condition for Dec. 31, 1945 the Fidelity-Philadelphia Trust Co., Philadelphia, Pa., announced that total deposits were $206,623,482 compared with $184,161,173 on Dec 31, 1944 and total assets for the same periods of $232,384,113 and $208,849,287. Cash on hand and due from banks in the most recent report was shown to be $47,645,327 compared with $40,206,798 for last year. U. S. Government obligations $114,226,976 against $112,652,408 and loans and discounts amounted to $43,289,885 as compared with $32,654,350 for the period to the end of 1944. Undivided profits advanced during the year to $3,914,001 from $3,076,226 while capital and surplus remained unchanged at $6,700,000 and $13,000,000 respectively.

Loans and bills discounted by Corn Exchange National Bank & Trust Co. of Philadelphia, totaled $56,379,589 as of Dec. 31, 1945, an increase for the year of more than $19,000,000 David E. Williams, President of the bank, reported on Jan. 8 to stockholders at their 87th annual meeting. "This increase represents a marked expansion of loaning activities throughout the year," Mr. Williams stated. "An even more pleasing aspect is the ever-growing percentage of the continuously increasing total that is being used in peacetime pursuits."

Through its insured budget loan department the bank financed individuals to double the extent of 1944. A time sales department was installed to finance dealers and the acquisition of their customers' notes. The 16 directors were reelected and a pension plan making provision for all officers and employes of the bank was approved.

The statement of condition of the Mellon National Bank of Pittsburgh, Pa., shows total deposits on Dec. 31, 1945 of $552,705,360 and total resources of $613,405,320 as compared with $558,686,205 and $617,235,188 respectively on Dec. 31, 1944. Cash on hand and due from banks as shown by the latest report amounted to $137,215,914 against $120,088,813 last year; holdings of U. S. Government obligations $426,697,456 compared with $445,361,766 and loans and discounts $34,494,606 against $35,803,574 in December of 1944. Capital remained unchanged for the past year at $7,500,000 but surplus increased from $35,000,000 to $37,500,000 and undivided profits decreased from $4,239,400 for last year to $4,071,471.

David E. Williams was reelected President of the Corn Exchange National Bank and Trust Company, Philadelphia, at a meeting of the board of directors on Jan. 15. Other officers reelected included C. Alison Scully, Executive Vice-President, and J. J. Caprano, Russell J. Bauer, Albert N. Hogg, Roland A. Hillas, Paul E. Ludes, H. A. Sinzheimer, Harry T. Kilpatrick, Floyd A. Crispin and Mark J. Igoe, Vice-Presidents. G. Robert Haines, Manager of the bank's Foreign Department, was advanced recently from Assistant Vice-President to Vice-President. Edward T. Jamee was reelected Cashier and Paul D. Williams, Comptroller.

In its statement of condition as of Dec. 31, 1945 the Fifth Third Union Trust Company of Cincinnati, O. announced total deposits (including U. S. Government deposits) of $262,457,103 and total resources of $280,934,596 compared with the figures for a year ago of $235,986,046 and $250,453,396 respectively. Cash on hand and due from banks is now $60,994,913 against $66,268,225 for the previous year; U. S. Government obligations $133,533,580 compared with $112,246,466; loans and discounts of $63,661,689 against $54,535,935. Undivided profits during the year advanced from $1,187,396 to $2,028,572 at the present time, while capital and surplus remained unchanged at $6,000,000 each.

At the annual shareholders meeting of The National City Bank of Cleveland on January 8 all of the present directors of the Bank were re-elected and two new directors were elected, viz: George Buffington, Executive Vice-President of the bank; and Elmer L. Lindseth, President of The Cleveland Electric Illuminating Company. John C. Myers, President of F. E. Myers & Bro. Co. of Ashland, Ohio, had been previously elected on October 8 to fill a vacancy. At the meeting, the shareholders increased the capital stock of the bank from $9,000,000 to $10,000,000 by declaring a stock dividend of 62,500 shares of common stock being one share for nine shares outstanding. This stock will be distributed on or about February 4. Sidney B. Congdon, President of the bank, in his annual report to shareholders stated that operating earnings for the year 1945 amounted to $1,751,046 as compared with $1,652,667 in the preceding year. These earnings were at the rate of $3.11 per share as compared with $2.94 in the previous year. He also stated that the capital stock stood at $9,000,000 at the year-end and the surplus account at $11,000,000, but that as soon as the increase in capital mentioned above is accomplished, the capital stock of the bank will be $10,000,000 consisting of 625,000 shares and the surplus will be $10,000,000. In addition, the undivided profit and reserve accounts aggregate about $5,000,000.

He also reported to the shareholders a significant fact: That war production loans under Regulation V, which are guaranteed in part by the Armed Services of the Government, have declined during the year from about $17,000,000 to about $5,000,000. This decline, it is stated, is almost completely offset by business advances made by the bank upon its own responsibility, and he made the observation that this shift of borrowings represented the return of the banking business from extraordinary loans for war production to conventional loans to serve the peacetime financial needs of business. His report further called attention to the fact that during the year the decision was made to add a limited number of strategically located branches in greater Cleveland and that pursuant to this decision The First National Bank of Rocky River was acquired by the bank, and also property at the corner of Euclid Avenue and East 107th Street is in the process of purchase where a branch will be established. The Board of Directors at their meeting held subsequent to the shareholders' meeting reelected the officers and authorized the following promotions: James B. Wolf from Real Estate Officer to Vice-President; Clarence R. McBride, Assistant Manager of the Terminal Square Office to Assistant Cashier, and William W. Boorse to Trust Investment Officer. The directors also declared a dividend of 70 cents a share payable 35 cents Feb. 1 to shareholders of record Jan. 18, and 35 cents payable May 1 to shareholders of record April 18. The 35 cents a share payable Feb. 1 will not be paid on the 62,500 shares to be issued as stock dividend to present shareholders, but this stock will participate in all future dividends.

Directors of Union Bank of Commerce of Cleveland on Jan. 10 declared a dividend of $6 a share on capital stock payable Jan. 25 to stockholders of record at the close of business Jan. 15. A dividend of $5 a share was paid in July 1945. President J. K. Thompson reported that net profit after transfers to reserves for the six months ended Dec. 31, 1945, amounted to $13.77 a share on the 35,300 outstanding shares of capital stock. It is added that Union Bank of Commerce has an asset of substantial value in capital stock of Union Properties, Inc. There is nothing, however, included in the foregoing earnings figures relating to this asset.

At the annual meeting of the stockholders of The First National Bank of Chicago held on Jan. 8, all present directors were re-elected. In addition, Robert E. Wilson, Chairman of the board, Standard Oil Company (Indiana), was elected a director to fill the vacancy caused by the death of Charles K. Foster. Following the subsequent meeting of the board, a number of promotions in the official staff and the election of new officers were announced. Clarence E. Cross, Edward J. Jennett, Coll Gillies, and Herbert V. Prochnow were promoted to Vice-Presidents. Vernon C. Bartels, Robert J. Crossley, Ellerton A. Lodge, and Julius O. Sorg were promoted to Assistant Vice-Presidents, and Forrest G. Paddock was promoted to Assistant Comptroller. New officers elected were P. Alden Bergquist, Warren Smetters, and George W. Wills, Assistant Cashiers, and Otto F. Haas, Assistant Trust Officer.

The directors of The First National Bank of Chicago gave a dinner at the Chicago Club on Jan. 10, in honor of Roy C. Osgood, who retired as Vice-President of the bank in charge of the Trust Department after 39 years of service. Thomas H. Beacom, Vice-President, succeeds Mr. Osgood as head of the Trust Department.

Frank G. Anger, Vice-President and newly elected director, was elected President of the Industrial National Bank of Chicago at a regular meeting of the Board of Directors on Jan. 8. Mr. Anger succeeds John S. Miller, who was elected General Counsel. Joseph E. Otis, Chairman of the Board, and all of the other officers of the bank were re-elected. The directors take particular pride in the election of Mr. Anger to the Presidency of the bank inasmuch as he has come up through the ranks. Starting with the bank twenty years ago, as a poster in the Bookkeeping Department, he advanced until in January 1937 he was elected Assistant Secretary, and in January 1945 was elected Vice-President. In May 1945, he took over the duties and responsibilities of the late Executive Vice-President, Robert B. Umberger. During his many years with the bank, Mr. Anger has become fully acquainted with every department in the bank, and consequently has at this time a well-integrated and comprehensive picture of the bank's organization, operations and opportunities.

The Harris Trust and Savings Bank of Chicago, Ill., announced in its statement of condition as of Dec. 31, 1945 that total deposits and total resources were $550,006,336 and $584,618,588 respectively, compared with $510,677,765 and $542,575,614 a year ago. Holdings of U. S. Government obligations by the bank amounted at the end of 1945 to $134,090,272 against $114,558,789 on Dec. 31, 1944; cash and due from banks was $153,504,384 compared with $137,640,242; loans and discounts at the latest date are shown as $134,662,096 against $119,381,374 last year. Capital and surplus remained unchanged at $8,000,000 and $12,000,000 respectively, and undivided profits advanced from $1,395,789 a year ago to $2,373,977 at the present time.

The First National Bank of Chicago announced in its statement of condition as of Dec. 31, 1945 that total deposits were $2,347,762,000 against $2,102,621,000 a year ago. Loans and discounts amounted to $539,481,000 in the most recent report against $455,767,000 last year, while cash and due from banks was shown to be $436,577,000 on Dec. 31, 1944 as against $470,047,000 at the end of 1945. Earnings for the year after deduction of expenses were reported by the bank to be $8,841,321 as compared with $8,655,115. Capital and surplus are announced at $60,000,000 and $50,000,000 respectively while undivided profits total $3,686,700 at the end of 1945.

The Continental Illinois National Bank and Trust Company of Chicago announced total resources for the period ending Dec. 31, 1945 of $2,826,963,072 and total deposits of $2,646,721,524 compared with $2,619,821,040 and $2,447,740,086 on Dec. 31, 1944. U. S. Government obligations held by the bank at the end of 1945 amounted to $1,821,033,425 against $1,638,809,259 last year; cash on hand and due from banks was shown to be $532,083,248 compared with $502,196,052; loans and discounts in the recent report were announced at $398,352,051 against $401,391,526 a year ago. Capital and surplus remained unchanged at $60,000,000 each while undivided profits were $27,471,417 as compared with $19,469,180 on Dec. 31, 1944.

The number of shares of Chicago Title and Trust Company of Chicago, Ill., stock was increased from 120,000 to 600,000 and the par value of each reduced from $100 to $20 at the annual meeting of the stockholders of the company held Jan. 14. Present stockholders will receive 5 shares of the new stock for each share now held. It is expected that the new shares will be ready for delivery about Feb. 15. Harold A. Moore, Vice-President and Treasurer of the company, was elected a director. Mr. Moore became associated with the real estate department of the company in 1931. He was elected Vice-President in 1937 and in September of last year was named to the additional post of Treasurer. The following directors whose terms expired were reelected for a three year term: Chester R. Davis, James H. Douglas, Jr., Percy B. Eckhart, Newton C. Farr, and F. Stanley Rickcords.

John F. Cuneo, President of the Cuneo Press, Inc., and Chairman of the Executive Committee of the National Tea Co., was elected a director of the Continental Illinois National Bank and Trust Company of Chicago at the annual meeting of the shareholders Jan. 11. At a directors meeting held the same day, the following promotions and additions to the bank's official family were made: In the Commercial Department, Harry V. Dyke and Jos. R. Knight were advanced from Assistant Cashiers to Second Vice-Presidents, and Darwin A. Holway and Fred H. Remmert were elected Assistant Cashiers. In the Foreign Department, Melville A. Powell was advanced from Assistant Cashier to Second Vice-President. Arthur C. Suhrbier, of the bank's auditing division, was elected Assistant Auditor.

The bank's directors declared a $2 semi-annual dividend payable Feb. 1 to shareholders of record Jan. 19.

The Comptroller of the Currency has approved the increase of $1,000,000 in the capital stock of The Manufacturers National Bank of Detroit authorized by the stockholders at the annual meeting of the bank Jan. 8, 1946. Stockholders of record at the end of the banking day Jan. 8, 1946, are entitled to the stock dividend which amounts to 33⅓% of their holdings as of that date.

Arthur E. Welch, Executive Vice-President and Treasurer of Aireon Manufacturing Corp., has been elected a director of the Mission State Bank of Kansas City, Kansas.

The First National Bank in St. Louis, Mo., announced total assets to be $524,091,820 and total deposits of $494,514,707 in its statement of condition as of Dec. 31, 1945. These figures are compared respectively with $459,229,659 and $433,362,527 on Dec. 31, 1944. Cash and due from banks in Dec. was shown at $109,603,260 against $107,858,488 last year and holdings of U. S. Government obligations by the bank amount to $290,194,435 compared with $253,470,129; loans and discounts have also advanced to $111,652,347 against $88,038,120 a year ago. Capital has remained unchanged for the past year at $10,200,000 while surplus advanced from $6,500,000 to $7,200,000 at the present time and undivided profits are now $7,168,417 as compared with $6,180,406 on Dec. 31, 1944.

The Mercantile-Commerce National Bank in St. Louis, St. Louis, Mo., has announced the following promotions among the bank's staff: William F. Impey was made Assistant Vice-President; Walter L. Kaltwasser, Assistant Cashier; and Peter W. Schmidt, Assistant Comptroller.

At the organization meeting of Citizens National Trust & Savings Bank of Los Angeles officers, including Samuel K. Rindge, Chairman of the board, and H. D. Ivey, President, were re-elected. Promotions announced were Earle R. Hilbert, George H. Treide and A. F. Yaussi to Vice-Presidents; F. L. Beach to Junior Vice-President and personnel director; Emory D. Mallek to Junior Vice-President, and John R. Christie to director of public relations and advertising.

In its statement of condition, required by the Comptroller of the Currency's official call of Dec. 31, 1945, the United States National Bank of Portland, Oregon, reported deposits of $581,111,239 and resources of $607,046,414. It is pointed out that not only do these deposits represent another all-time high but, in addition, they reveal a gain of $100,302,281 over the corresponding call date of a year ago. Resources for the twelve-month period gained $106,844,400. Another substantial gain for the same interval was made in loans and discounts. The total figure was $68,940,887 as against $41,894,023 or an increase of $27,046,864.

Coast Guard Returned to Treasury Dept.

The need no longer existing for Navy operation of the Coast Guard, the latter was returned, by Executive Order of President Truman, to the Treasury Department, effective Jan. 1, the Associated Press reported from Washington, Dec. 30, adding that the changeover was to be made, however, subject to the following exceptions and conditions:

"In the interest of expeditious demobilization and other exigencies of the naval service, such Coast Guard vessels, facilities and personnel as the Treasury and Navy Secretaries may agree upon shall continue to operate as part of the Navy for such time beyond Jan. 1 as they determine.

"The Coast Guard will continue for such period as may be mutually agreed upon, the air-sea rescue functions and the maintenance and operation of mid-ocean weather stations and air-sea navigational aids under the direction of the Navy."

Gross Operating Earnings of Bankers Trust Show Increase Over Last Year—Net Lower

The annual report of the Bankers Trust Company of New York covering the year 1945 mailed to the stockholders in advance of the annual meeting held on Jan. 15, shows gross operating earnings of $29,857,328, representing an increase of $2,336,578 over those for 1944; while, due to increased taxes and expenses, net operating earnings of $10,172,617 show a decrease of $786,661 from the 1944 figure.

The net profits on investment securities and recoveries amounted to $6,065,120, which was transferred to general reserve. After dividends of $4,200,000, which compares with $3,500,000 paid in 1944, the balance in undivided profits reflects an increase of $5,972,178 during the year, bringing total capital funds to $143,317,050. After transferring $1,000,000 from general reserve to a special reserve to cover post-war expansion and deferred alterations, the balance in the general reserve account shows an increase of $4,543,711 since a year ago, and amounts to $15,403,263.

In his report, S. Sloan Colt, President, makes the following comments on "interest rates":

"Government fiscal policies are the dominant force in the structure of interest rates. The policy up to the present has been one of maintaining low rates, but the working out of the policy has resulted in declining rates. The amount of interest paid by the Government on a greatly expanded debt, while important, is by no means so important as the distribution of the debt itself. The inflationary effects of expanding bank credit are too well known to be dwelt upon here, but the lesser known disadvantages of declining interest rates paid to non-bank investors are only beginning to be recognized. If, instead of concentrating excessive amounts of the debt in short maturities which tend to flow into the banking system, the Treasury would issue sufficient amounts of longer-term securities to attract and retain the savings of institutional and private investors, it would lead to a better distribution of the debt and create a healthier debt structure.

"Declining interest rates do not in fact relieve the public of the debt burden as suggested. Somebody pays the price for these lower rates. They add to the cost of every life insurance policy and reduce the income of every savings depositor and every investor, whether in Government securities or in corporate securities. They reduce the income of every endowed educational and charitable institution. Such costs as these do not go through the Federal budget but the public pays them nevertheless. It is a form of indirect taxation, or confiscation, if you please, that in many cases may be far more burdensome or inequitable than straight Government taxation to meet legitimate debt costs."

The total resources of the company as of Dec. 31, 1945, amounted to $1,921,945,613, an increase of $14,310,724 over the total of a year ago. Gross deposits at the end of 1945 aggregated $1,749,590,469, which compares with a total of $1,726,073,557 as of Dec. 31, 1944. These figures include U. S. Government deposits of $399,015,291 on Dec. 31, 1945, as against $583,022,892 at the end of the preceding year.

As previously announced, the Board of Directors at its meeting Jan. 2 declared a dividend of 45 cents a share, payable April 1, 1946, to stockholders of record as of the close of business March 9, 1946. This compares with the quarterly dividends of 35 cents a share which have been paid during the last few years.

Motor Carrier Tonnage Lower in November

The volume of freight transported by motor carriers in November decreased 8.1% below October and 9.0% below November of last year, according to American Trucking Associations, Inc., which further announced as follows:

Comparable reports received by ATA from 206 carriers in 37 states showed these carriers transported an aggregate of 1,792,811 tons in November, as against 1,951,335 tons in October and 1,969,522 tons in November, 1944.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 165.1.

Approximately 83% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 8.2% below October and was 7.3% below November, 1944.

Transportation of petroleum products accounting for about 11% of the total tonnage reported, showed a decrease of 3% below October and a drop of 20% below November, 1944.

Carriers of iron and steel hauled about 2% of the total tonnage. Their traffic volume was 3.8% below October but 0.4% above November, 1944.

About 4% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class decreased 20.6% below October and 12.2% below November, 1944.

Subscriptions, Allotments Of Treasury Ctfs.

The Secretary of the Treasury announced on Dec. 29 the final subscription and allotment figures with respect to the current offering of ⅞% Treasury Certificates of Indebtedness of Series A-1947, offered on Dec. 16, and referred to in our Dec. 20 issue, page 3059.

Subscriptions and allotments were dividend among the several Federal Reserve Districts and the Treasury as follows:

Fed. Res. Dist.—	Total
Boston	$116,468,000
New York	1,587,736,000
Philadelphia	122,892,000
Cleveland	140,397,000
Richmond	74,588,000
Atlanta	96,859,000
Chicago	372,520,000
St. Louis	117,505,000
Minneapolis	78,214,000
Kansas City	128,787,000
Dallas	96,915,000
San Francisco	389,203,000
Treasury	1,110,000
Total	$3,323,194,000

Adm. Land Leaving Maritime Commission

Vice-Admiral Emory S. Land has resigned as Chairman of the Maritime Commission and as War Shipping Administrator. His resignation, effective Jan. 15, which according to Associated Press Washington advices of Jan. 5, President Truman accepted, leaves both top posts in the Maritime Commission vacant, Vice-Chairman Howard Vickery having resigned a week earlier because of ill health.

Government Promotion of International Trade

(Continued from first page)

members of the newly created Office of International Trade. Most of these are engaged in administering the Export Control Act and in winding up the administrative affairs of FEA. Only a small part of FEA had been concerned with activities related to the promotion of trade or to the post-war commercial policy of the United States. FEA had, however, always considered the promotion of U. S. trade an important by-product of its work and some of its officials participated in the wartime planning for post-war international cooperation out of which came the commercial policy program that was made a part of the recent Anglo-American discussion and which resulted in the proposal to form the International Trade Organization.

During the war the normal work of the Bureau of Foreign and Domestic Commerce was of necessity relegated to a secondary position—the emergency activities of the War Agencies had to take first place. However, in spite of limited funds and a less glamorous role, the Bureau was able to keep its files reasonably up to date and did continue to perform valuable service for business and the War Agencies. This was especially true with regard to FEA and its predecessor, the Board of Economic Warfare, both of which were able to allot part of their emergency funds to the Bureau to help finance the service.

The present merger of what is left of FEA with those parts of the Bureau concerned with foreign trade matters is therefore a natural outcome of war activities and war relationships.

Organizational Changes of Department of Commerce

I should like to say a word or two more about this merger. I think I can clear up any misunderstanding of it in a few sentences. Last August, just after V-J Day and before the dissolution of FEA, Mr. Wallace announced his general plan to make some organizational changes in the Department of Commerce designed to strengthen and improve its service to American industry and commerce. The plan involved the setting up of three new major functional groupings: (1) world trade, (2) domestic industry, and (3) small business.

The problems of foreign trade are, of course, quite different from those of domestic industry or small business. Most companies engaged in both foreign and domestic business have separate export departments and in many cases the larger ones have separate subsidiary corporations. Foreign trade is highly specialized. Because of the prevalence of Government controls and monopolies and other barriers throughout the world now, more than ever before, foreign trade has a special relationship to Government which is different from that of domestic industry, large or small. The decision to separate the foreign from the domestic work was made before I joined the Department, but one which I believe was a wise one and which I would have endorsed had I been in the Department at the time.

In one division only of the old BFDC organization was there difficulty in dividing up functions—that was the Commodity Division. Even there, we have pretty well solved the problems without creating duplication within the Department.

Main Division of Foreign Trade

Within that part of the Department concerned with foreign trade, we shall divide our work into two main subdivisions. One will deal with service to the trade and one with the commercial policy of the United States, and we shall relate both to the fostering and promotion of the foreign commerce of the U. S.

The service work will be performed in the Office of World Trade Promotion of which Mr. George Bell has been appointed Director. Mr. Bell is a business man of long experience. For many years he was Vice-President in charge of sales for Caterpillar Tractor. During the war, he traveled widely in South America and more recently he has been in the Philippines, Korea and Japan for FEA. Associated with him will be Mr. Emil Schnellbacher, whose valuable commercial intelligence work for the BFDC has long been recognized by the trade, and Mr. Horace McCoy, who will continue in charge of the Commodity Division. Mr. Perry Stevenson will also have an important place in the new organization. Mr. William Friedlaender, who is known to many of you and who has spent his business life in foreign trade, will help Mr. Bell on promotional activities as will the many seasoned and experienced commodity and area officers of the BFDC and a number of FEA specialists.

Export Control

Export control will be carried on in a separate branch in this office. Walter Freedman, I am sorry to say, is going back to the private practice of law, but we are fortunate in having John Borton, his deputy, to carry on. We have purposely put the export control function in the Office of Foreign Trade Promotion with our other services as we want what remaining control we exercise to be administered and to be looked on by the trade as a service needed because of certain remaining shortages in the stream of supply. Trade assistance rather than control will be the keynote.

In addition to the more normal functions of providing promotional information and assistance to foreign traders, we are going to have a separate part of our organization that will be concerned with the many special types of assistance which the Government can now furnish in helping to restore trade with war-torn areas where normal channels have been so disrupted that the medium of the Government is needed to start things going again. Mr. Murray Marker who was a special assistant to Mr. Scheuer, the Director of the Bureau of Supplies of FEA, will be in charge of this work.

This office has just circulated a list of 43 industrial plants in Germany which have been declared available for allocation on the German reparations account by the Allied Control Commission. It is soliciting an indication of interest in these plants on the part of American firms. In determining which plants will be asked for transfer to this country, consideration will be given as to the needs for such facilities in the United States.

Office of World Trade Policy

In the Office of World Trade Policy, we shall join the State Department in working for the elimination of trade barriers and controls throughout the world. Through the Secretary of Commerce's membership in the National Advisory Council, which sets the Administration's policy for the International Bank, the Fund and the Export-Import Bank, we shall be concerned with the foreign loans and their investment policy of the United States. This office will also have the Department's representation on the Trade Agreements Committee, the Committee for Reciprocity Information and on the Executive Committee for Economic Foreign Policy. And the Department's interest in the newly proposed specialized economic agencies of the United Nations Organization will be covered by this office. This will, of course, include the International Trade Organization and the proposed International Commodity Organizations.

Several of our people are in London now for the United Nations Organization meeting where they will help in the establishment of the Economic and Social Council which will eventually embrace all of the International Trade Organization, the Bank, the Fund, economic and social organizations concerned with trade, labor, food and agriculture, health and education, and other peaceful pursuits among nations. Later in the month I am planning to go to London to participate in the latter part of this conference.

International Trade Organization

We are fully behind the proposed International Trade Organization and feel that Mr. Clayton and his staff have done magnificent work in getting agreement on the commercial policy proposals as part of the British loan agreement.

Mr. James McCamy is the head of the Office of World Trade Policy. He has had long experience in Government and is a keen student of economic affairs. His war experience has been unique and varied. Most recently he spent six months in Austria as Economic Counselor to our Diplomatic Mission, the first mission to enter the country after hostilities ceased. Mr. McCamy will be assisted by Mr. Herbert Parisius, who was the Secretary of the Combined Food Board and Assistant to the Secretary of Agriculture before being appointed one of the chief executives in FEA. Mr. Parisius also headed a foreign mission to North Africa for UNRRA and one to England and the Continent for FEA. Mr. Lewis Lorwin, who was for many years with the staff of the League of Nations and the International Labor Office in Geneva, will be the Economic Advisor of the new office.

The United States must take the lead in making the new international organizations work. It is through the work of this Office of World Trade Policy that we hope to help take foreign trade out of the straitjacket in which it now finds itself. We are going to try to represent faithfully the interests of U. S. business in the international organizations dealing with foreign trade. We shall fight hard for the U. S. position, but we shall definitely be guided by a policy of international cooperation.

During the war and in the period just before it, I have had occasion to visit most of the countries of the world. In addition to most of Europe, I have visited China and India; I have been through the Middle East and North Africa; I have made three trips throughout the South American continent; I have been in Mexico, in Canada, and in the Philippines, and was in Australia when the war ended. The nature of my business on these trips was such that I visited the leading industrial plants in many of these countries. In Chile I have been in a highly efficient cotton textile plant using new American machinery operated almost entirely by native help down from the mountains. This plant was not only advanced technically but also had dispensaries, nurseries for children of employees, vocational schools, all the social appurtenances usually thought of as found only in countries with an advanced industrial development.

I have seen Altiplano Indians in their colorful native costumes at work in the great Cerro de Pasco smelter in Peru. I have seen the large rayon mill in Sao Paulo in Brazil. Here again I found dispensaries, nurseries and schools. Throughout South America I have also seen many of the small, ill-housed plants started with second-hand machinery and operated as the worst kind of sweatshop, but these cannot exist for any length of time along side of the modern newer developments. I have seen the great oil refineries on the Persian Gulf and I have watched Chinese mechanics at work on the newest U. S. aviation equipment. I did not see the Tato Steel Mill in India, but I have seen records indicating its possibilities as a great producer of steel.

Trend Toward Foreign Industrialization

I mention these experiences to emphasize what I believe will be the most significant trend in the foreign trade of the next decade—the trend toward the industrialization of the so-called backward countries. We have overcome most of our inhibitions and fears of this trend. Most of you of course know that our best customers are the industrialized countries.

We have also seen exploded the myth about native workers who were supposed to refuse to work more than a few days a week if their wages were raised just enough to buy their weekly necessities. That same story was spread about our own Southern workers a generation ago and is now thoroughly discredited everywhere.

American goods which accompanied the U. S. Army to all corners of the world and which were widely distributed under lend-lease to our fighting allies have stimulated unprecedented demands for manufactured goods in areas never thought of as markets. Furthermore, as a result, there was also developed a desire to produce some of these goods locally. The development of light automatic machinery will make this possible with the establishment of industry within much shorter periods of training. It is for these reasons that I believe that throughout the world we are on the verge of an era of industrialization of areas previously exclusively agricultural in their economies. This may well be as important in economic history as was the industrial revolution of the early 19th Century in Europe and is significant to the world as was our own great industrial development in more recent years.

I believe that we should foster and encourage this trend, that we have far more to gain than to lose by doing so. It may change the pattern of our foreign trade and it will surely increase it. It will provide new scope for American management and American capital. If carried out under the aegis of the International Trade Organization and a strengthened International Labor Organization, it will be an orderly force toward raising the standard of living of vast numbers of people. It will help relieve pressures of inequality and can generally raise the level of world prosperity.

The most constructive way of promoting the foreign commerce of the U. S. is for the U. S.—and we are well able to do so—to take the lead in promoting the trade of the world by fostering and assisting this trend toward world industrialization by the enlightened use of a liberal credit policy, by practicing a decent and cooperative trade policy and by insisting that others do likewise, and by seeing that the new economic and social international organizations are strong and that they really work.

The State of Trade

(Continued from page 290)

sponding week of last year, a decrease of 0.8%.

Railroad Freight Loadings—Carloadings of revenue freight for the week ended Jan. 5, 1946 total 652,457 cars, the Association of American Railroads announced. This was an increase of 146,306 cars (or 28.9%) above the preceding week which includes the Christmas holidays and 30,941 cars, or 4.5% below the corresponding week of 1945. Compared with the similar period of 1944, a decrease of 117,172 cars or 15.2% is shown. Both 1946 and 1945 included the New Year holiday.

Freight car loadings in the first quarter of 1946 are expected to be 4% below those in the same period in 1945, according to estimates just compiled by the 13 Shippers' Advisory Boards and made public last Saturday.

On the basis of those estimates, freight car loadings of the 30 principal commodities will be 6,417,622 cars in the first quarter of 1946, compared with 6,687,839 actual car loadings for the same commodities in the corresponding period in the preceding year. Five of the 13 Shippers' Advisory Boards estimate an increase in carloadings for the first quarter of 1946 compared with the same period in 1945 and eight estimate decreases.

Paper and Paperboard Production—Paper production in the United States for the week ending Jan. 5, 1946 was 89.1% of mill capacity, against 60.8% in the preceding week and 81% in the like 1945 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 75%, compared with 52% in the preceding week and 80% in the like 1945 week.

Business Failures Fall—After a slight upswing last week, commercial and industrial failures turned down again in the week ending Jan. 10, Dun & Bradstreet, Inc., reports. Only 10 concerns failed, a decline of three from the previous week and only two-fifths the 25 occurring in the comparable week of 1945.

Eight of the week's 10 failures involved liabilities of $5,000 or more. For these large failures, this represented a gain of one from the seven a week ago but a decline of 13 from the 21 in 1945's corresponding week. Two small concerns failed with losses under $5,000, one-third the number occurring last week and one-half those a year ago.

Manufacturing accounted for one-half of the concerns failing in the week just ended. But even in this group, failures were less than half as numerous as in the same week of 1945. Failures in retailing, at two, were only a third those last year. In the wholesaling, construction, and commercial service lines, only one failure was reported in each group.

Two Canadian failures were reported as compared with none last week and only one in the corresponding week of 1945.

Wholesale Commodity Price Index—The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned upward last week, following a slight dip early in the period. The index reached a new postwar peak of 182.49 on Monday of this week and closed at 182.35 on Jan. 8. This contrasted with 175.44 on Jan. 9, 1945.

In comparatively light trading, leading grains developed a somewhat easier undertone, particularly in new-crop deliveries. Demand for cash wheat from millers, exporters, and feed manufacturers continued active but receipts at terminal markets remained much below normal and practically no wheat or corn was offered on the spot market. Foreign inquiries and Government needs continued to dominate the flour market; moderate domestic bookings were reported. Mills, however, continued to offer sparingly due to the tight cash wheat supply situation. Heavy marketings in the latter half of last week sent hog values 35 to 60 cents be-

low ceiling levels but virtually all of the losses were later regained as receipts fell sharply below expectations.

The recent heavy run of hogs and the threat of a general strike of packing-house workers resulted in a material increase in the production of lard last week; some accumulation of stocks was reported at leading centers. Trading in lard and fats was reported heaviest for some time; ceiling prices prevailed despite the break in hog prices.

Cotton prices showed a slightly downward trend last week due largely to the announcement by the Department of Agriculture that it would offer for sale on a bid basis about 650,000 bales of cotton within a short time, to be followed by an additional 850,000 bales within the next 90 days. Announcement by the OPA over the past week-end that it plans to place ceilings on the 1946 cotton crop resulted in considerable selling and a further break in values on Monday of this week. Activity in spot markets was seasonally slow although there was good demand for better grades in the medium staples. The parity price for cotton as of Mid-December showed a rise of 12 points to 21.82 cents per pound.

In the starting week of the new year, trading in domestic wools in the Boston market was very quiet; topmakers and manufacturers were reported covered for some months ahead. Improvement in sales expected after the turn of the year failed to materialize, presumably due to the uncertainty surrounding the labor outlook at the mills. Business in foreign wools was slower, reflecting a continued tight supply of desirable grades. This condition is said to favor a large turnover of domestic wools during the next few months. Foreign primary markets were mostly inactive; strike conditions were reported delaying appraisements in Australia. Sales from that country to the United States during the first half of December amounted to 51,575 bales, bringing total sales for the period from Aug. 1 to Dec. 15 to 790,815 bales, or approximately 337,244,500 pounds. Deliveries of worsted fabrics continued to lag, being from four to six weeks behind schedule in many instances.

Wholesale Food Price Index Off Slightly—Due mainly to a seasonal decline in egg prices, the wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped 1 cent from the previous week and stood at $4.14 on Jan. 8, 1946. This was a rise of 1.2% over the $4.09 of Jan. 9, 1945. Declines during the week occurred in rye, eggs, potatoes and lambs. There were advances in oats and sheep. The index represents the sum total of the price per pound of 31 foods in general use.

Retail and Wholesale Trade—Retail volume for the country as a whole rose last week slightly over the previous holiday shortened week and was almost even with a year ago, according to currently weekly survey by Dun & Bradstreet, Inc. There were only scattered clearance sales; business was brisk in those that were held. Department stores reported depleted inventories with little prospect of more regular deliveries immediately. Food buying returned to pre-holiday levels and volume was considerably over a year ago.

Men's and women's shoe volume rose last week. Fur sales have slowly declined from the high level of previous weeks. Blouse volume rose slightly over a week ago. Glittering scarfs were preferred for wear with evening dresses. Nylon sales continued to create rushes.

Increases in the supply of piece goods were negligible and cotton stocks were reported particularly low. Customers were somewhat hesitant about purchasing high-priced linens. Stocks of sheets, pillow-cases, and turkish towels remained low; customers were often limited in the number purchased. Springs and mattresses remained difficult to find.

The supply of hard goods has not increased appreciably. The limited supply of electrical appliances was quickly purchased. Dressmakers' forms were reported as fast-selling items. Consumers were interested in all types of home furnishings. The supply of chinaware increased slightly. Orders for new automobiles, refrigerators, and electric stoves flowed in; few have been delivered.

Retail food volume remained equal to a week ago and was somewhat higher than a year ago. Provisions were generally in more adequate supply than a year ago. Soap and sugar continued scarce. Volume in canned meat rose in many cities. Butter continued difficult to find.

Retail volume for the country was estimated to be from 0 to 4% above a year ago. Regional percentage increases were: New England 2 to 6, East 5 to 9, Middle West —2 to +2, Northwest 0 to 4, South 1 to 5, Southwest 4 to 8, Pacific Coast —1 to +3.

Wholesale trade last week increased slightly over the previous week's level; volume was generally unchanged from a year ago. Buyer's attendance at various market openings was unprecedentedly high and offerings limited. Deliveries remained uncertain.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 5, 1946, decreased by 6% below the same period of last year. This compared with an increase of 27% in the preceding week. For the four weeks ended Jan. 5, 1946, sales increased by 13% and for the year to date showed an increase of 11%.

In many cities stores were closed on Monday, Dec. 31, as well as on Tuesday Jan. 1, and consequently the week ending Jan. 5 included only four trading days as compared with five in the corresponding week last year.

The large increases shown for the week ending Dec. 29 reflect in part the fact that this year Christmas fell on Tuesday and the week therefore included one day of heavy pre-Christmas shopping which was not the case a year ago when Christmas fell on Monday.

Retail trade here in New York the past week moved ahead with volume outdistancing that of a year ago as gains of department stores approximated 25%. Many clearance items sold well.

Wholesale markets had an unprecedented number of buyer arrivals from all parts of the country, but could offer them little in the way of merchandise. Many intend to return at the close of January to look over the situation again.

The volume of wholesale and retail food sales reflected a slight falling off from the heavy holiday totals. The shortage of butter the past week was acute and proved a feature.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Jan. 5, 1946, decreased 4% below the same period last year. This compared with an increase of 29% (revised figure) in the preceding week. For the four weeks ended Jan. 5, 1946 sales rose by 16% and for the year to date increased by 14%.

Haupt Hearing Postponed

A hearing scheduled to determine whether the broker-dealer registration of Ira Haupt & Co., New York, should be suspended or revoked, was again postponed by the Securities and Exchange Commission. The hearing is now scheduled for March 12.

First National of N. Y.—Operating Earnings

Jackson E. Reynolds, who since 1917, had been associated with the First National Bank of New York, at his own request was relieved of his duties as director at the annual meeting of the stockholders of the bank on Jan. 8. Percy Chubb, 2d, of Chubb & Sons, was elected to succeed Mr. Reynolds on the Board. From 1922 through 1937 Mr. Reynolds was President of the bank, having been succeeded in that post by Leon Fraser, whose death occurred last year. It was noted in the New York "Times" of Jan. 9 that Mr. Reynolds was recalled from retirement to become Chairman of the Board following the death of George F. Baker, and served in that capacity from June, 1937, until January, 1939, when he retired again and the post of Chairman was abolished. He continued at that time as a director.

At the annual meeting on Jan. 8 Alexander C. Nagle, now President, said Mr. Reynolds insisted on being relieved of his active duties, "and we felt we must respect his wishes." We quote from the "Times" of Jan. 9, which also had the following to say:

Mr. Nagle reported the bank had net operating earnings in 1945 of $10,661,000, after taxes, not including profit on securities. This compared with $11,211,000 in the previous year. Security profits last year were $2,169,000. Mr. Nagle said these profits arose not primarily from trading but from redemption on non-Government securities which had matured. These investments must be replaced, probably at lower yield rates to the bank, Mr. Nagle pointed out.

In response to a stockholder's question, Mr. Nagle revealed that there was no present intention of changing the current dividend rate of $80 a share, which, he contended, represented the payment of a higher proportion of earnings than is made by any other major bank in the city. The rate was $100 a share from 1932 through 1941.

Mpls. Reserve Reports Appointments

The Federal Reserve Bank of Minneapolis through its President, J. N. Peyton, announced on Jan. 1 the following appointments made by the Board of Governors of the Federal Reserve System:

Roger B. Shepard, President, Finch, Van Slyck & McConville, St. Paul, Minn., designated Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis and Federal Reserve Agent for the year 1946.

W. D. Cochran, Cochran Freight Lines, Iron Mountain, Mich., designated Deputy Chairman of the Board for the year 1946.

Paul E. Miller, Director, Agricultural Extension Division, University of Minnesota, Minneapolis, Minn., appointed Class C Director of the Federal Reserve Bank of Minneapolis for a three-year term beginning Jan. 1, 1946.

Malcolm E. Holtz, Agriculturalist, Great Falls, Mont., appointed Director of the Helena Branch of the Federal Reserve Bank of Minneapolis for a two-year term beginning Jan. 1, 1946.

Buffalo Paper Ups Price Of Sunday Edition to 15c

The Buffalo (N. Y.) "Courier-Express" notified its readers on Dec. 30 that, effective Jan. 6, the price of its Sunday edition would be increased from 12 to 15 cents. The Associated Press, reporting this, added:

"The paper pointed out that the increased cost of newsprint and other materials had made the price advance necessary."

Observations

(Continued from first page)

stallments are so spread that our minimum obligation in the early years is actually less than it would be with a loan free of interest repayable by equal installments. . . . Assuming that the principle of charging interest had to be observed, then almost everything possible has been done to mitigate the burden and to limit the risk of a future dangerous embarrassment. We pay no interest for six years. After that we pay no interest in any year in which our exports have not been restored to a level which may be estimated at about 60% in excess of prewar. I repeat that."

In the event of eventual default, the dichotomy of explanation of the entire previous proceeding surely will be irreparably intensified.

* * * *

Equally divergent are the publicised opinions about the Loan's effects on our export volume. Administration officials have this week been quoted as estimating the resulting volume of purchasing power about to come into the American market as "unprecedented—even fantastic;" in exports of $10 billion in the coming year, and $40 billion over the long term. On the other hand, this view is sharply disputed by many private observers. The vice-president of the Overseas Automotive Club, Mr. M. R. Sacra, just returned from a trip abroad, is extremely skeptical about our ability to export to England or Australia. He states that the shipment of finshed manufactures is virtually impossible, and that the Loan is a mere "shot in the arm."

* * * *

Now even the master mind of Professor Laski evidently is confused by Russia's international policy. The mental genius of the British Labor Party last Saturday delivered another thunderous blast against "the American of big business," as the bad-boy "reactionary in international relations." And, as usual, he based "the key to world peace" on further conciliation of Russia.

Actually the most important issue before the United Nations today is their exercise of the **veto power.** In the proposed abolition thereof the Laski-criticized British government is surely taking a most democratic stand; and in insisting on its continuance it is Russia and the United States who are acting like the completely reactionary devils. As revealed in this and other issues, the accession to power of a liberal socialist government in England has forced apologists for Russia's foreign policy to the alternatives of either agreeing that Soviet policy is not liberal (too bitter a pill); or of disowning Messrs. Attlee & Co., with their 5-Year Socialization and Nationalization Plan as Tories-in-disguise (a much easier way out). Apparently clarification can best come about through a proper and generally-agreed-on definition of **"liberalism."**

* * * *

Excepting for our stand for the **veto power,** and the accompanying retention of national sovereignty, the United States has grown to a position in complete reversal of its isolationist position which followed World War I. Now we are the internationalists who must transfer billions of dollars to England to secure her abstention from economic isolationism. We must appease and re-appease Russia politically between Big Three Conferences and at the UNO meetings; and presumably financially with a future loan; to keep her playing at all. Even so the price to be paid for reconsideration of her indicated aloofness from Bretton Woods and the coming International Trade Conference is not clear.

* * * *

In all the non-stop public discussion of inflation too little attention has been given to the factor of "*negative* inflation"—a term introduced by the British economist, Paul Einzig, to describe relative scarcity of goods and services. The great emphasis in both British and American thinking on inflation has been in "positive" terms of the wartime expansion of currency and purchasing power. The "negative" inflationary factor of the undersupply of civilian goods on which the purchasing power can be expended, has not been sufficiently taken into account.

This seems particularly true of the United States, and this is extremely important in our policy-determination. The "negative" scarcity element of the inflationary picture will be overcome much more quickly here than abroad, because of our enormous and quickly-adaptable productive capacity. If, in the face of the six-year growth of $214 billion of individuals' liquid assets, our price ceiling-line has been fairly well held thus far; with full production just around the corner, may we in the not-too-distant future perhaps be worrying over the need for price **floors?** The speed with which production is still reflected in prices is evidenced in the current weakening of the gasoline structure.

* * * *

In his remarks before the Indianapolis Chamber of Commerce this week (published in full elsewhere in this issue), President Schram of the New York Stock Exchange said that the market is not acting as the creator of inflation, but as a thermometer **registering** the public's views. While the inflation that is extant has no doubt been generated by basic factors such as governmental fiscal and labor policies, it may at the same time possibly be true that the Stock Exchange, in proclaiming (correctly or perhaps incorrectly) the irresistible arrival of inflation, is acting as a cumulative stimulant to the underlying inflationary pressures.

PIWC Ended

Liquidation of the Petroleum Industry War Council and the Foreign Operations Committee, with their committees and subcommittees, operated under the direction of the Petroleum Administration for War, have been liquidated by order of Petroleum Administrator for War Harold L. Ickes, according to "Journal of Commerce" Washington advices of Dec. 26, which said:

The liquidation was effected by rescinding Recommendation 24, which outlines the duties, functions and procedures of the PIWC, and Directive 70, under which the supply and transportation of the combined petroleum resources of the United Nations in the foreign field were administered and which authorized establishment of the Foreign Operations Committee as an advisory body, the Administration explained.

All restrictive provisions of Directive 70 have already been lifted, Deputy Petroleum Administrator Ralph K. Davies pointed out. The directive itself was continued in effect to permit orderly completion of operations undertaken before the restrictions were lifted. The revocation of Directive 70 and Recommendation 24 is effective Dec. 31, 1945.

Steel Operations Lower—Strike Postponed—Price Increases Averaging $4 a Ton Discussed

"If steel industry leaders agree to expand the 15¢ an hour offer made last week by Benjamin F. Fairless on behalf of the United States Steel Corp. and if Philip Murray can see his way clear to reduce his 19½¢ an hour offer despite the automobile fact-finding board recommendation, there will be no steel strike on Monday, Jan. 21," according to "The Iron Age," national metal-working paper, in its issue of today (Jan. 17), which further adds:

"These 'ifs' are so big however that at mid-week there was no more than a 50-50 chance of another strike postponement. The possibilities of frayed nerves and Government mishandling of a complicated steel price problem loom large as a determining factor in the steel controversy outcome.

"Some criticism of the United States Steel Corp.'s 15c an hour offer has been voiced unofficially by some steel companies, and it was to have been expected that the meeting held in New York early this week at which Mr. Fairless made his report to other steel company officials would have its stormy moments.

"On the other hand Mr. Murray in taking an unprecedented step by postponing the steel strike will be in an unenviable position late this week if a wage agreement is not in prospect. It is extremely doubtful whether a second postponement would be made under such circumstances.

"It was obvious this week that the Government is bluntly using a 'promised' $4 a ton increase in steel prices as a club to force a wage agreement. This purported promise has become somewhat of a mystery in that OPA has in no way indicated its approval of a $4 increase, what products would be affected and whether or not it would be an across-the-board increase. It has been indicated, from other sources, unless changed before the week is out, that a straight across-the-board steel price adjustment of $4 or slightly more is in prospect when and if a wage settlement is made.

"If such a price increase is granted the problem of the non-integrated steel mill will be more precarious than ever. A straight across-the-board advance would leave these smaller companies which buy semifinished steel and process it into finished steel products in the same position in which they are now.

"On the basis of a 42 hour week in the steel industry at about the same level as current employment, it is estimated that a 15c an hour increase would cost the industry $148,000,000 a year in wages. A 19½c increase demanded by the steel union would cost about $193,000,000 a year. On the basis of 56,000,000 tons of finished steel, the approximate amount produced in 1945, a price increase of $4 a ton would net the steel industry about $224,000,000 a year.

"Since the price increase was demanded to cover accumulated costs exclusive of any new wage agreement, a wage increase of 19½c an hour would leave little from a $4 ton advance in price. This is the reason why it is expected that the steel industry, after gaging the effects of a wage and price increase, over a period of operations, will likely request some sort of a subsequent price adjustment.

"The slowdown in operations last week at many steel company plants in preparation for a strike has made itself felt this week, even though units were rushed back into production as quickly as possible. Even though there is no strike next week, the industry may, in some areas, suffer the same type of a slowdown again by the end of this week."

The American Iron and Steel Institute on Jan. 14 announced that telegraphic reports which it had received indicated that the operaing rate of steel companies having 94% of the steel capacity of the industry will be 76.5% of capacity for the week beginning January 14, compared with 82.0% one week ago, 83.0% one month ago and 92.2% one year ago. This represents a decrease of 5.5 points or 6.7% from the preceding week. The operating rate for the week beginning Jan. 14 is equivalent to 1,401,200 tons of steel ingots and castings, compared to 1,502,000 tons one week ago, 1,520,300 tons one month ago, and 1,688,400 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Jan. 14 stated in part as follows:

"Working under the uncertainties of threat of a general strike at the beginning of this week steelmakers last week took such actions as were possible, to soften the blow if it came and at the same time to maintain a strong position for steel production if the threat passed without interruption.

"Aside from the possibility of the strike the industry is well prepared for the future, with order books filled to an almost unprecedented degree and plant in position to produce at high speed with augumented labor forces. As far as possible in the time since the war closed the ravages of high production for armament have been repaired and the steady rise in output in the past few weeks has indicated the effort being made to meet the pressing demand of industry in its reconverted form.

"Various suspensions of shipments were made last week, particularly in pig iron and scrap moving to steel mills, though they were not nearly as heavy as had been expected. Growing hope that a major strike might be averted or delayed, was a factor, accompanied by urgency for getting materials in and the understanding for the first time in many quarters that demurrage on strike-bound cars would be subject to relief under master tariff regulations, by which a consignee whose plant is forced down by strike can appeal within 30 days after the end of the stoppage for reduction in demurrage to $1.20 per day for the full term of the suspension.

"Some consumers later in the week actually lifted prior suspension orders in their urgency to get in steel scrap. Some consumers held that regardless whether the strike developed they probably would have to curtail their melt within another month because of insufficient scrap.

"Confidence is strong that once labor difficulties are out of the way highly active conditions will prevail for most of the remainder of the year. This is reflected by persistent efforts of consumers of many products, especially of light flat-rolled steel, to get on mill books despite extended deliveries. Various mills refuse to accept further orders for the present as they can make no firm promises and believe that many changes in specifications would be desired before shipment.

"Output of ingots and steel for castings in 1945 was 79,745,581 net tons, almost 10 million tons below the record output of 89,641,600 tons in 1944. Of this decline practically 8 million tons came in second half, which included the end of the war and the soft coal strike. In spite of the drop from 1944 the tonnage of steel made in 1945 was well above the best peacetime year in the industry's history. Fourth quarter production was poorest of the year at 17,884,091 tons. December output was 6,084,929 tons, one of the lowest of the year."

Amsterdam Stock Exchange Reopens

With the reopening of the Amsterdam Stock Exchange on Jan. 7, a record number of brokers attended, despite the fact that trading was restricted to domestic bonds and Government securities and only funds in frozen and "giro" accounts could be used in transactions. This was reported in Amsterdam advices (Netherlands News Agency), published in the New York "Times," which also had the following to say:

Nominal value of securities traded in was 800,000 guilders, with Government securities making up 700,000 guilders of the total.

The tone of the market was good, with prices called "not disappointing." Generally speaking, demand exceeded supply because of the desire of many persons to convert frozen funds into interest-paying bonds.

Difficulty was encountered in obtaining quotations, which had to be establisthed after the professional traders, in whose hands most of the day's trading was concentrated, had determined the supply and demand position. At first only "advisory" prices based on estimates were given and when the market closed professional traders still were busy noting and setting quotations of the various securities dealt in during the session. All are subject to the approval of the "Commissioner of Quotations."

During the session it was impossible to obtain any quotations on industrial bonds. There was very little trading in provincial and municipal securities, although some 3½% local obligations changed hands at prices ranging from 103 to 104 guilders.

Some mortgage obligations were sold at 103 guilders, while others could not find buyers at this price and for still others offers of 103 were refused.

Among Government loans traded in, old 3 per cents appeared at an estimated quotation of 99-100, railway 3% at approximately 102, 1938 3 per cents at the same price, and old 2½ percents at 84.

The proposed opening of the Exchange was referred to in our issue of Dec. 20, page 3051.

Kilby Commissioner of Pub. Debt, Treasury Department

Secretary Vinson made public on Jan. 9 the appointment of Edwin L. Kilby as Commissioner of the Public Debt, Treasury Department, to succeed William S. Broughton, who retired on Dec. 31 after over 45 years of Treasury service. Mr. Kilby, a career Government employe, first came to Washington in 1917 as a cleark in the War Department. Soon after the declaration of World War I he enlisted in the Army, and served during the remainder of hostilities with the Seventh Anti-Aircraft Sector in France. Following his discharge early in 1919, Mr. Kilby came to the Treasury Department. He was named Associate Commissioner of the Public Debt on June 11, 1944, after ten years as Assistant Commissioner. Mr. Broughton, the retiring Commissioner, received his appointment to the post in 1919, shortly following creation of the Public Debt Service, as the Bureau was called prior to 1940, to handle the indebtedness incurred in World War I. He was granted two leaves of absence during his Treasury career—in 1908-1909 when he served as fleet pay clark on a battleship cruise around the world, and in 1910 when he supervised the census for the District of Columbia.

Aldrich Cites High Quality of Assets of Nation's Banks — 1945 Earnings of Chase Bank

(Continued from first page)

above the corresponding figure at the end of 1944 and 59% higher than the total at the end of 1941, when the United States entered the war. About half of the bank's loan portfolio consists of loans generally regarded as industrial and commercial credits, and the remainder is largely made up of loans against securities pledged as collateral.

"As industrial production for war purposes declined during the year, loans were paid off by many companies, but in the final weeks of the year there was a sharp increase in our business loans as the reconversion program gained momentum. The bank is lending money to small and large concerns in businesses of many kinds and in every section of the United States. Competition among banks for business is keen, a fact which is reflected in the low interest rates on prime loans."

In his report Mr. Aldrich observed that because of the immense rise in deposit liabilities during the wartime period, the banks of this country have followed a conservative course by retaining a substantial proportion of earnings to build up their capital funds in order to provide fuller protection to depositors and to continue the best possible banking service to the nation as a whole. He added:

"The quality of bank assets now is high and bankers will do their utmost to maintain that condition. But commercial banking involves taking some risks on loans if banks are to continue to meet their responsibilities to our American system of private enterprise. No one can foresee what economic changes may occur in the postwar period, nor can banks avoid incurring some losses on loans if business conditions become widely depressed.

"Viewing the banking system as a whole, the conservative policies followed by the banks with reference to investments, earnings, dividends, and augmentation of capital accounts are wise from the standpoint of the owners of the banks, their depositors, and the public interest in maintaining a sound banking structure."

Mr. Aldrich notes that "the gradual resumption of international trade at the end of the war was immediately reflected in increased activity for the foreign department. With the reopening of cable and mail communications throughout the world many banking connections have been reestablished and our field of operations has been broadened.

"Foreign-owned deposits with the Chase steadily acumulated during the final period of the war to the highest total yet reached. The policy of the Treasury Department to release blocked accounts as rapidly as possible stimulates the use of this foreign purchasing power in the acquisition of American goods and helps restore normal banking and trade relations between the United States and other countries."

Regarding the bank's earnings the report says:

"Aggregate net earnings for 1945 were $3.59 per share. Net earnings from current operations, after provision for taxes, amounted to $2.36 per share. Profits from the sale of securities were $1.23 per share, after making allowance for the proportionate amount of the provision for taxes applicable to security profits. In previous years, the provision for taxes was applied entirely against current operating earnings.

"Interest received from investment in United States Government obligations was the major source of gross income earned last year by this bank, as it was for banks generally. The average rate of interest earned on our holdings of these securities in 1945 was 1.09% compared with 1.06% in 1944 and .86% in 1943. The over-all interest rate earned on total investments and loans in 1945 was 1.25%, the same rate as in 1944, compared with 1.18% in 1943."

As to expenses, we quote as follows from Mr. Aldrich's report:

"Expenses incurred for current operations of the bank (not including provisions for taxes and the assessments paid to the Federal Deposit Insurance Corporation) were about 8% higher in 1945 than in 1944. Increases in salaries in the lower brackets and higher costs of supplies were the principal items of additional operating expense.

"Because of requirements for substantially larger provision for income taxes, the total expenses of the bank in 1945 were about 16% higher than in 1944. Payments of the annual assessment to the Federal Deposit Insurance Corporation in 1945 were $2,892,000, bringing the cumulative total of those payments since its inception in 1934 to $22,895,000."

The report has the following to say as to dividends:

"Dividends aggregating $10,360,000, or $1.40 per share, were paid on the stock of the bank during 1945, 70 cents per share on Feb. 1 and 70 cents per share on Aug. 1. On Dec. 26, 1945, the board of directors authorized an increase in the dividend rate from $1.40 to $1.60 per share annually by placing dividend payments on a quarterly basis and by declaring a dividend of 80 cents per share, 40 cents per share payable on Feb. 1, 1946, to stockholders of record Jan. 11, 1946, and 40 cents per share payable on May 1, 1946, to stockholders of record April 12, 1946.

"Over the 11-year period, 1935-1945, the shareholders have received in cash dividends $15.40 per share, equal to 60% of the bank's aggregate net earnings on a per share basis, leaving 40% as the addition to capital funds. This record compares favorably with that of other representative banks here and in the nation as a whole.

"The capital funds of the bank, $300,240,000 at the year-end, which is the equity of the shareholders, have increased by 77% since the beginning of 1935."

The bank's net earnings for the year were $26,540,000 ($3.59 per share) compared with $22,382,000, or $3.01 per share in 1944.

1,406,236 Railroad Workers in November

Employees of Class I railroads of the United States, as of the middle of November, 1945, totaled 1,406,239, a decrease of 0.09% compared with the corresponding month of 1944 and 0.69% under October, 1945, according to a report just issued by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission.

A decline under November, 1944, is shown in the number of employees for every reporting group with the exception of executives, officials, and staff assistants; maintenance of way and structures, and transportation (other than train, engine, and yard), which show increases of 1.92, 3.09, and 2.35%, respectively. The percentages of decreases are:

Professional, clerical, and general, 0.79%; maintenance of equipment and stores, 0.82%; transportation (yardmasters, switchtenders, and hostlers), 1.89%, and transportation (train and engine service), 3.05%.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jan. 15	126.24	118.40	122.29	120.63	118.40	112.75	115.24	118.60	121.67
14	126.24	118.40	122.29	120.63	118.40	112.75	115.24	118.60	121.67
12	126.18	118.20	122.09	120.63	118.20	112.56	115.04	118.40	121.46
11	126.11	118.20	122.09	120.63	118.20	112.56	115.04	118.40	121.46
10	126.00	118.20	121.88	120.22	118.20	112.56	114.85	118.40	121.25
9	125.80	118.20	121.88	120.22	118.20	112.56	114.85	118.40	121.25
8	125.55	118.00	121.67	120.22	117.80	112.56	114.85	118.20	121.04
7	125.30	118.00	121.67	120.22	117.60	112.56	114.85	118.20	120.84
5	125.22	117.80	121.46	120.02	117.60	112.37	114.66	118.00	120.84
4	125.18	117.80	121.67	119.82	117.60	112.37	114.66	117.80	120.84
3	125.03	117.60	121.67	119.82	117.40	112.19	114.46	117.80	120.84
2	124.97	117.60	121.46	119.82	117.40	112.19	114.46	117.80	120.63
1	Stock Exchange Closed								
Dec. 28, 1945	124.67	117.40	121.25	119.82	117.40	112.00	114.27	117.60	120.63
21	124.28	117.20	121.04	119.41	117.20	111.44	114.08	117.20	120.22
14	124.17	117.00	120.84	119.41	117.20	111.25	113.89	117.20	100.22
7	124.06	116.80	120.63	119.41	117.00	110.88	113.50	117.00	120.22
Nov. 30	123.81	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
23	123.70	116.80	120.84	119.41	117.00	110.70	113.50	116.80	120.22
16	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
9	123.28	116.61	120.63	119.41	116.61	110.34	113.12	116.80	120.02
2	123.05	116.61	120.63	119.41	116.41	110.15	113.12	116.80	120.02
Oct. 26	122.92	116.22	120.63	119.20	116.22	109.60	112.93	116.41	119.82
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1946	126.24	118.40	122.29	120.63	118.40	112.75	115.24	118.80	121.67
Low 1946	124.97	117.60	121.46	119.82	117.40	112.19	114.46	117.80	120.63
High 1945	124.84	117.60	121.25	119.82	117.40	112.00	114.46	117.60	120.63
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Jan. 15, 1945	121.16	113.70	119.00	117.80	113.50	105.00	109.06	113.70	118.40
2 Years Ago									
Jan. 15, 1944	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.61

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jan. 15	1.32	2.73	2.54	2.62	2.73	3.02	2.89	2.72	2.57
14	1.32	2.73	2.54	2.62	2.73	3.02	2.89	2.72	2.57
12	1.32	2.74	2.55	2.62	2.74	3.03	2.90	2.73	2.58
11	1.32	2.74	2.55	2.62	2.74	3.03	2.90	2.73	2.58
10	1.33	2.74	2.56	2.64	2.74	3.03	2.91	2.73	2.59
9	1.35	2.74	2.56	2.64	2.74	3.03	2.91	2.73	2.59
8	1.36	2.75	2.57	2.64	2.76	3.03	2.91	2.74	2.60
7	1.38	2.75	2.57	2.64	2.77	3.03	2.91	2.74	2.61
5	1.38	2.76	2.58	2.65	2.77	3.04	2.92	2.75	2.61
4	1.38	2.76	2.57	2.66	2.77	3.04	2.92	2.76	2.61
3	1.40	2.77	2.57	2.66	2.78	3.05	2.93	2.76	2.61
2	1.40	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62
1	Stock Exchange Closed								
Dec 28, 1945	1.42	2.78	2.59	2.66	2.78	3.06	2.94	2.77	2.62
21	1.45	2.79	2.60	2.68	2.79	3.09	2.95	2.79	2.64
14	1.46	2.80	2.61	2.68	2.79	3.10	2.96	2.79	2.64
7	1.47	2.81	2.62	2.68	2.80	3.12	2.98	2.80	2.64
Nov. 30	1.49	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
23	1.50	2.81	2.61	2.68	2.80	3.13	2.98	2.81	2.64
16	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
9	1.53	2.82	2.62	2.68	2.82	3.15	3.00	2.81	2.65
2	1.55	2.82	2.62	2.68	2.83	3.16	3.00	2.81	2.65
Oct. 26	1.56	2.84	2.62	2.69	2.84	3.19	3.01	2.83	2.66
19	1.55	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66
11	1.57	2.84	2.61	2.70	2.84	3.20	3.03	2.84	2.65
5	1.59	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
Sept. 28	1.63	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1946	1.40	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62
Low 1946	1.32	2.73	2.54	2.62	2.73	3.02	2.89	2.71	2.57
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.41	2.77	2.59	2.66	2.78	3.06	2.93	2.77	2.62
1 Year Ago									
Jan. 15, 1945	1.75	2.97	2.70	2.76	2.98	3.45	3.22	2.97	2.73
2 Years Ago									
Jan. 15, 1944	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.82

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE— The list used in compiling the averages was given in the Nov. 22, 1945 issue of the "Chronicle" on page 2508.

National Fertilizer Association Commodity Price Index Fractionally Higher

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Jan. 14, advanced fractionally in the week ended Jan. 12, 1946 to 142.1, from 142.0 in the preceding week. A month ago the index stood at 142.0, and a year ago at 139.9, all based on the 1935-1939 average as 100. The Association's report added:

Prices were mixed during the latest week with the result that the farm products and food groups declined and the building material index advanced. The decline in the farm product group was fractional; each of the three subgroups shared in the decline. The cotton index declined slightly. The grain index was slightly down with lower oats quotations a little more than offsetting higher rye prices. The livestock index was only slightly lower, the net result of the declines registered in lambs, sheep, live poultry and eggs a little more than offsetting higher quotations for cattle and hogs. The food group declined because lower prices for eggs and potatoes more than offset increased prices for flour and dressed fowl. The building material index moved up rather substantially during the latest week reflecting increases in the prices for crushed stone in New York and gravel at St. Louis. All of the other groups in the composite index remained unchanged.

During the week 9 price series in the index advanced and 7 declined; in the preceding week 6 advanced and 9 declined; in the second preceding week 9 advanced and 1 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jan. 12, 1946	Preceding Week Jan. 5, 1946	Month Ago Dec. 15, 1945	Year Ago Jan. 13, 1945
25.3	Foods	143.1	143.9	144.8	144.2
	Fats and Oils	146.6	146.6	146.6	144.6
	Cottonseed Oil	163.1	163.1	163.1	160.7
23.0	Farm Products	170.8	171.0	173.2	164.8
	Cotton	232.6	232.8	233.0	207.8
	Grains	169.3	169.4	167.1	159.4
	Livestock	162.3	162.5	166.9	159.7
17.3	Fuels	129.4	129.4	129.0	130.4
10.8	Miscellaneous commodities	133.5	133.5	133.5	133.4
8.2	Textiles	159.2	159.2	159.3	156.2
7.1	Metals	110.2	110.2	110.2	105.8
6.1	Building materials	160.4	158.4	154.7	154.1
1.3	Chemicals and drugs	127.0	127.0	127.5	125.4
.3	Fertilizer materials	118.2	118.2	118.2	118.3
.3	Fertilizers	119.9	119.9	119.9	119.9
.3	Farm machinery	105.2	105.2	105.0	104.8
100.0	All groups combined	142.1	142.0	142.0	139.9

*Indexes on 1926-1928 base were: Jan. 12, 1946, 110.7; Jan. 5, 1946, 110.6, and Jan. 13, 1945, 109.0.

Electric Output for Week Ended Jan. 12, 1946 9.6% Below That for Same Week a Year Ago

The Edison Electric Institute, in its curent weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Jan. 12, 1946, was approximately 4,170,000,000 kwh., which compares with 4,614,334,000 kwh. in the corresponding week a year ago, and 3,865,362,000 kwh. in the week ended Jan. 5, 1946. The output for the week ended Jan. 12, 1946 was 9.6% below that of the same week in 1945.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

Major Geographical Divisions—	Week Ended— Jan. 12	Jan. 5	Dec. 29	Dec. 22
New England	3.9	7.5	4.5	0.6
Middle Atlantic	4.9	6.7	4.8	2.4
Central Industrial	11.7	14.3	13.0	10.8
West Central	0.2	2.3	1.7	0.2
Southern States	11.0	14.7	15.3	11.6
Rocky Mountain	0.2	4.8	1.2	0.5
Pacific Coast	16.1	20.1	14.1	9.8
Total United States	*9.6	‡12.7	11.0	8.2

*Preliminary. ‡Revised.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change under 1944	1943	1932	1929
Oct. 6	4,028,286	4,375,079	— 7.9	4,341,754	1,507,503	1,806,403
Oct. 13	3,934,394	4,354,575	— 9.6	4,382,268	1,528,145	1,798,633
Oct. 20	3,914,738	4,345,352	— 9.9	4,415,405	1,533,028	1,824,160
Oct. 27	3,937,420	4,358,293	— 9.7	4,452,592	1,525,410	1,815,749
Nov. 3	3,899,293	4,354,939	—10.5	4,413,863	1,520,730	1,798,164
Nov. 10	3,948,024	4,396,595	—10.2	4,482,665	1,531,584	1,793,584
Nov. 17	3,984,608	4,450,047	—10.5	4,513,299	1,475,268	1,818,169
Nov. 24	3,841,350	4,368,519	—12.1	4,403,342	1,510,337	1,718,002
Dec. 1	4,042,915	4,524,257	—10.6	4,560,158	1,518,922	1,806,225
Dec. 8	4,096,954	4,538,012	— 9.7	4,566,905	1,563,384	1,840,863
Dec. 15	4,154,061	4,563,079	— 9.0	4,612,994	1,554,473	1,860,021
Dec. 22	4,239,376	4,616,975	— 8.2	4,295,010	1,414,710	1,637,683
Dec. 29	3,756,942	4,225,814	—11.0	4,337,287	1,619,265	1,542,000

Week Ended—	1946	1945	% Change under 1945	1944	1932	1929
Jan. 5	*3,865,362	4,427,281	—12.7	4,567,959	1,602,482	1,733,810
Jan. 12	‡4,170,000	4,614,334	— 9.6	4,539,083	1,598,201	1,736,721
Jan. 19		4,588,214		4,531,662	1,588,967	1,717,315
Jan 26		4,576,713		4,523,763	1,588,853	1,728,208
Feb. 2		4,538,552		4,524,134	1,578,817	1,726,161

*Revised. ‡Preliminary.

Moody's Common Stock Yields

For yields in prior years see the following back issues of the "Chronicle": 1941 yields (also annually from 1929), Jan. 11, 1942, page 2218; 1942 levels, Jan. 14, 1943, page 202; 1943 yields, March 16, 1944, page 1130; 1944 yields, Feb. 1, 1945, page 558.

MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS

	Industrials (125)	Railroads (25)	Utilities (25)	Banks (15)	Insurance (10)	Average Yield (200)
January, 1945	4.4	6.3	5.2	3.3	3.6	4.6
February, 1945	4.2	5.9	5.0	3.3	3.4	4.3
March, 1945	4.4	6.2	5.1	3.6	3.5	4.6
April, 1945	4.1	5.5	4.8	3.4	3.4	4.3
May, 1945	4.1	5.5	4.7	3.4	3.3	4.2
June, 1945	4.1	5.3	4.6	3.3	3.4	4.2
July, 1945	4.1	5.6	4.5	3.4	3.4	4.3
Aug., 1945	3.9	5.7	4.5	3.4	3.4	4.1
Sept., 1945	3.8	5.3	4.3	3.4	3.3	3.9
Oct., 1945	3.7	5.2	4.2	3.1	3.1	3.8
Nov., 1945	3.6	4.8	4.0	3.2	3.2	3.7
Dec., 1945	3.6	4.8	4.1	3.3	3.1	3.7
Year	4.0	5.5	4.6	3.3	3.3	4.1

President Truman Endorses Program to Protect Wartime Savings

A conference in which 300 leaders of industry, retail business and finance participated, was held at the Waldorf-Astoria in New York on Jan. 9 for the purpose of formulating plans to make the public wary of fraudulent schemes which might be presented them for the diversion of wartime savings. The program, including educational campaigns in schools and colleges, received the endorsement of President Truman in a message which was read to the conference, according to a report in the New York "Times," which continued:

Mr. Truman stressed the need to prevent "a repetition of the disasters which fell upon the public after World War I, when unscrupulous individuals induced their many victims to exchange their wartime savings for worthless stocks, bonds and other property of questionable or no value." The President commended the present approach to the problem "by the most effective democratic process of enlisting the active aid and cooperation of all groups, representatives of agriculture, business, consumers, education, government, labor and veterans."

The Chief Executive added that "the continued well-being of the country and its citizens will be greatly enhanced by the success of this program, and the Federal Government is indeed happy to join with other groups as a partner in this enterprise."

Savings of individuals in Government bonds were estimated at $48 billion in December by Ernest G. Draper, a member of the board of governors of the Federal Reserve System.

"From the standpoint of the economy as a whole," he said, "the large amount of individual savings in the form of savings bonds can have a stabilizing influence upon monetary conditions and can help to defeat deflationary forces in case they should develop after the transition to peace has been accomplished."

Mr. Draper warned, however, that during the current period of transition, and whenever there was a shortage of consumers goods available for purchase, "large-scale redemptions and spending of the funds received would be extremely inflationary in their effect upon the general price level."

Wesley Lindow, Assistant Director of Research and Statistics for the Treasury, declared that at the close of 1945 individuals held "the unprecedented total of $181 billion in liquid assets," an amount, he explained, equal to three times their holdings six years ago. He subdivided the total into $64 billion of Federal securities, $54 billion of savings accounts and $63 billion of currency and checking accounts.

Charles H. Kellstadt, Chairman of the Board of Governors of the National Association of Better Business Bureaus, asserted that "upon the intelligent expenditure and investment of money depends the economic prosperity of our country for years to come. He spoke of "the immediate threat to the economic security of our country and to the American people as a whole' in the possibility of 'a wave of swindling, gyp schemes and fraudulent practices descending upon us and robbing us of the right to employ our money wisely and usefully."

Mr. Kellstadt recommended that cooperating organizations "aid business to establish principles and policies of fair dealing, maintain continuous advisory service to help business in its consumer relations, protect the public against fraud and deception in advertising and selling, help consumers to get maximum satisfaction from their relations with business and educate the public to buy and invest wisely and use thriftily."

France in Far East Group

France accepted with reservations membership in the Far-Eastern Commission set up by decision of the recent three-power Foreign Ministers Conference in Moscow, the Associated Press reported from Paris, Jan. 5, adding that France had requested the United States, Britain and Russia to allow her veto power equal with that of the Big Three and China on questions which may arise directly concerning French Far-Eastern interests.

Moody's Daily Commodity Index

Tuesday, Jan. 8, 1946	264.7
Wednesday, Jan. 9	264.8
Thursday, Jan. 10	264.9
Friday, Jan. 11	264.8
Saturday, Jan. 12	264.7
Monday, Jan. 14	264.8
Tuesday, Jan. 15	264.7
Two weeks ago, Jan. 2	264.7
Month ago, Dec. 15, 1945	264.9
Year ago, Jan. 15	253.9
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, Jan. 10	264.9
Low, Jan. 2	264.7

Commodity Wholesale Prices Declined 0.2% in Week of Jan. 5, '46; Up 0.2% in Previous Week

We are giving herewith the figures of wholesale prices for the week ended Dec. 29, 1945, and those for the week ended Jan. 5, 1946. In the latter case the Bureau of Labor Statistics, U. S. Department of Labor, reports a decline of 0.2%, while for the week ended Dec. 29 there had been a rise of 0.2%. The Bureau's advices regarding wholesale prices in the week ended Jan. 5, 1946, made known Jan. 10, follow:

Lower prices for fresh fruits and vegetables during the week ended Jan. 5, 1946, were chiefly responsible for a decline of 0.2% in primary market prices from last week's (Dec. 29) high. At 106.8% of the 1926 average, the index of commodity prices prepared by the Bureau of Labor Statistics, U. S Department of Labor, was 0.3% higher than a month ago and 2.1% above early January, 1945.

Farm Products and Foods—Average prices of farm products dropped 1.1% during the week. Among the fresh fruits and vegetable, citrus fruit quotations were down sharply with increased supplies, as shippers anticipated the restoration of OPA price ceilings. White potatoes, sweet potatoes and onions increased in price, reflecting seasonal movements and light supplies. Apples were up seasonally in Chicago and Portland, but decreased sharply in New York because of the poor quality offered. Most livestock quotations were higher, reflecting light receipts and strong buying. Live poultry prices were up, due to increased ceilings. Wheat prices were seasonally higher while oats and rye quotations decreased. Prices of eggs dropped seasonally in most cities. The group index for farm products was 0.8% higher than the first week in December, 1945, and 4.3% above a year ago.

The price decreases for fresh fruits and vegetables caused a decline of 1.4% in primary market prices for foods. Quotations for rye flour were higher. As a group, foods were 0.1% below a month ago and 3.3% higher than the corresponding week of last year.

Other Commodities—Prices for other commodities were generally stable during the week. Higher OPA ceiling resulted in increases for sewer pipe and prices of crushed stone were higher. There were further competitive price reductions for gasoline in the mid-continent area. Prices of bleached muslin were lower. The group index for all commodities other than farm products and foods remained unchanged at the level of the previous week, 0.1% above four weeks ago and 1.5% above the first week in January, 1945.

The following tables show (1) indexes for the past three weeks, for Dec. 8, 1945, and Jan. 6, 1945, and (2) percentage changes in subgroup indexes from Dec. 29, 1945 to Jan. 5, 1946.

WHOLESALE PRICES FOR WEEK ENDED JAN. 5, 1946
(1926 = 100)
(Indexes for the last eight weeks are preliminary)

Commodity Group—	1-5 1946	12-29 1945	12-22 1945	12-8 1945	1-6 1945	Percentage changes to Jan. 5, 1946 from— 12-29 1945	12-8 1945	1-6 1945
All commodities	106.8	107.0	106.8	106.5	104.6	—0.2	+0.3	+2.1
Farm products	131.3	132.7	131.5	130.3	125.9	—1.1	+0.8	+4.3
Foods	108.0	109.5	108.6	108.1	104.6	—1.4	—0.1	+3.3
Hides and leather products	119.4	119.4	119.4	119.4	117.9	0	0	+1.3
Textile products	100.6	100.6	100.6	100.6	99.0	0	0	+1.6
Fuel and lighting materials	85.2	85.3	85.2	85.2	83.6	—0.1	0	+1.9
Metals and metal products	105.3	105.3	105.3	105.3	103.9	0	0	+1.3
Building materials	119.1	118.9	118.8	118.7	116.4	+0.2	+0.3	+2.3
Chemicals and allied products	96.1	96.1	96.1	96.1	94.9	0	0	+1.3
Housefurnishing goods	106.4	106.4	106.4	106.4	106.1	0	0	+0.3
Miscellaneous commodities	95.0	95.0	95.0	94.6	93.9	0	+0.4	+1.2
Raw materials	119.7	120.6	119.8	119.1	115.4	—0.7	+0.5	+3.7
Semi-manufactured articles	96.9	96.9	96.9	96.8	94.7	0	+0.1	+2.3
Manufactured products	102.6	102.6	102.6	102.5	101.3	0	+0.1	+1.3
All commodities other than farm products	101.4	101.4	101.3	101.3	99.9	0	+0.1	+1.5
All commodities other than farm products and foods	100.6	100.6	100.5	100.5	99.1	0	+0.1	+1.5

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
Dec. 29, 1945 to Jan. 5, 1946

Increases			
Livestock and poultry	1.2	Other building materials	0.7
Grains	0.4		
Decreases			
Fruits and vegetables	6.3	Other foods	1.0
Other farm products	2.8	Petroleum and products	0.2

The Bureau's report, issued Jan. 5, covering wholesale prices for the week ended Dec. 29, 1945, is given herewith.

Higher prices for agricultural commodities caused a rise of 0.2% during the week ended Dec. 29, 1945, in the index of commodity prices in primary markets prepared by the Bureau of Labor Statistics, U. S. Department of Labor. At 107.0% of the 1926 average, a new post-war high, the index was 0.2% above a month ago and 2.2% above late December, 1944.

Farm Products and Foods—Primary market prices for farm products advanced 0.9% during the week, chiefly because of the effect of bad weather on supplies and increased demand caused by holiday buying. Quotations for oats, the only feed grain available in quantity, rose 3%. Wheat prices increased fractionally as supplies remained short. Market prices for fresh fruits and vegetables generally were higher. Apples advanced fractionally in accordance with their usual seasonal movement and orange prices rose sharply with the disappearance of smaller sizes from the market. Quotations for white potatoes increased and onion prices moved up because of short supplies. Lemon prices weakened following the sharp increase of the previous week. Quotations for eggs declined seasonally. Cattle prices moved downward because of a larger number of grass-fed animals moving to market. Quotations for sheep advanced with few animals of lower quality available and live poultry quotations rose on holiday buying. Average prices for farm products were 0.5% above four week ago and 4.7% above the corresponding week of last year.

The increase of nearly 6% in average prices for fruits and vegetables was responsible for the rise of 0.8% in the group index for foods. In addition, both rye and wheat flour rose during the week. These increases brought the group index for foods to a level 3.8% above that at the end of 1944.

Other Commodities—Commodities other than farm products and foods moved up 0.1% during the week to a level 1.5% above the corresponding week of 1944. Mill prices for Northern lumber rose about 4% with higher OPA ceilings. Anthracite continued to rise fractionally. Eastern Seaboard prices for kerosene rose sharply under higher ceilings permitted suppliers of fuel oil to the Atlantic Coast area to encourage production. Competitive price reductions for gasoline continued in the mid-continent area.

The following tables show (1) indexes for the past three weeks for Dec. 1, 1945 and Dec. 30, 1944, and (2) percentage changes in subgroup indexes from Dec. 22, 1945 to Dec. 29, 1945.

WHOLESALE PRICES FOR WEEK ENDED DEC. 29, 1945
(1926 = 100)
(Indexes for the last eight weeks are preliminary)

Commodity Groups—	12-29 1945	12-22 1945	12-15 1945	12-1 1945	12-30 1944	Percentage changes to Dec. 29, 1945 from— 12-22 1945	12-1 1945	12-30 1944
All commodities	107.0	106.8	106.7	106.8	104.7	+0.2	+0.2	+2.2
Farm products	132.7	131.5	131.3	132.0	126.7	+0.9	+0.5	+4.7
Foods	109.5	108.6	108.3	108.5	105.5	+0.8	+0.9	+3.8
Hides and leather products	119.4	119.4	119.4	119.4	117.9	0	0	+1.3
Textile products	100.6	100.6	100.6	100.6	99.0	0	0	+1.6
Fuel and lighting materials	85.3	85.2	85.2	85.1	83.6	+0.1	+0.2	+2.0
Metals and metal products	105.3	105.3	105.3	105.3	103.9	0	0	+1.3
Building materials	118.9	118.8	118.8	118.7	116.4	+0.1	+0.2	+2.1
Chemicals and allied products	96.1	96.1	96.1	96.1	94.8	0	0	+1.4
Housefurnishing goods	106.4	106.4	106.4	106.4	106.1	0	0	+0.3
Miscellaneous commodities	95.0	95.0	95.0	94.6	93.9	0	+0.4	+1.2
Raw materials	120.6	119.8	119.7	120.1	115.7	+0.7	+0.4	+4.2
Semimanufactured articles	96.9	96.9	96.8	96.8	94.7	0	+0.1	+2.3
Manufactured products	102.6	102.6	102.6	102.5	101.3	0	+0.1	+1.3
All commodities other than farm products	101.4	101.3	101.3	101.2	99.8	+0.1	+0.2	+1.6
All commodities other than farm products and foods	100.6	100.5	100.5	100.4	99.1	+0.1	+0.2	+1.5

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
Dec. 22, 1945 to Dec. 29, 1945

Increases			
Fruits and vegetables	5.7	Anthracite	0.3
Other farm products	1.7	Cotton goods	0.2
Grains	0.6	Petroleum and products	0.2
Lumber	0.1		
Decreases			
Other foods	0.5	Livestock and poultry	0.2

The following notation was carried in the reports of both weeks—Jan. 5 and Dec. 29:

NOTE—The Bureau of Labor Statistics' wholesale price data, for the most part, represent prices in primary markets. In general, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week-to-week changes and should not be compared directly with the monthly index.

Finished Steel Shipments by Subsidiaries of United States Steel Corp. Higher in December

Shipments of finished steel products by subsidiaries of the United States Steel Corp. in December amounted to 1,459,803 net tons, an increase of 113,396 net tons over the 1,346,407 net tons reported in November. With 25 working days last month the daily average was 58,392 net tons, against 51,785 net tons for 26 days in November.

As compared with the 1,767,700 net tons delivered in December, 1944, the total last month showed a decrease of 307,797 net tons. The daily average shipments in December, 1944, for 26 working days were 67,985 net tons. In December, 1943, shipments were 1,719,624 net tons, and in the same month of 1942 they amounted to 1,849,635 net tons.

Shipments in the 12 months of 1945 amounted to 18,484,277 net tons, compared with 21,052,179 net tons in the previous year, a decrease of 2,567,902 net tons.

The following tabulation gives shipments by subsidiaries of United States Steel Corp. monthly from the beginning of 1940 (figures in net tons):

	1945	1944	1943	1942	1941	1940
January	1,569,115	1,730,787	1,685,993	1,738,893	1,682,454	1,145,592
February	1,562,488	1,755,772	1,691,592	1,616,587	1,548,451	1,009,256
March	1,869,642	1,874,795	1,772,397	1,780,938	1,720,366	931,905
April	1,722,845	1,756,797	1,630,828	1,758,894	1,687,674	907,904
May	1,797,987	1,776,934	1,706,543	1,834,127	1,745,295	1,084,057
June	1,602,883	1,737,769	1,552,663	1,774,068	1,668,637	1,209,684
July	1,608,994	1,754,525	1,660,762	1,765,749	1,666,667	1,296,887
August	1,332,180	1,743,465	1,704,289	1,788,650	1,753,665	1,455,604
September	1,321,576	1,733,602	1,664,577	1,703,570	1,664,227	1,392,838
October	1,290,358	1,774,969	1,794,968	1,787,501	1,851,279	1,572,408
November	1,346,407	1,743,753	1,660,594	1,665,545	1,624,186	1,425,352
December	1,459,803	1,767,600	1,719,624	1,849,635	1,846,036	1,544,623
Total by mos.	18,484,277	21,150,788	20,244,830	21,064,157	20,458,937	14,976,110
Yearly adjust.	------	*98,609	*97,214	*449,020	*42,333	37,639
Total	------	21,052,179	20,147,616	20,615,137	20,416,604	15,013,749

*Decrease.

Note—The monthly shipments as currently reported during the year 1945, are subject to adjustment reflecting annual tonnage reconciliations.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
Oct. 6	193,674	154,147	533,087	95	93
Oct. 13	135,756	160,031	506,935	97	94
Oct. 20	134,324	155,723	489,971	96	94
Oct. 27	140,583	156,551	468,549	98	94
Nov. 3	201,060	156,223	511,022	97	94
Nov. 10	162,023	157,617	509,984	97	94
Nov. 17	123,281	154,122	479,228	95	94
Nov. 24	123,781	147,083	454,926	91	94
Dec. 1	172,297	152,571	472,568	96	94
Dec. 8	173,537	154,235	490,123	97	94
Dec. 15	150,330	157,792	487,481	98	94
Dec. 22	122,229	148,591	451,654	92	94
Dec 29	97,323	78,862	462,446	52	93
1946—Week Ended					
Jan. 5	176,346	111,967	526,891	75	75

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders

Life Ins. Ownership At New High in 1945

Life insurance ownership in the United States increased to a new record total of $154,600,000,000 during 1945, a gain of $40,000,000,000, or 35%, since the outbreak of World War II, Holgar J. Johnson, President of the Institute of Life Insurance, declared on Dec. 31, in reviewing the year's activities of the life insurance business. This represents an increase of almost $1,000 of life insurance protection per family during the war years, bringing the family average in the U. S. A. to $4,500. There are now 71,000,000 policyholders in the country, an average of two to every family.

It is stated that more than half of the gain during the war years was in ordinary life insurance, the policies individually purchased in units of $1,000 or more. This branch of the business has increased $25,000,000,000 since 1939 and $6,400,000,000 during the past year alone. Group life insurance, that purchased through or by employers for groups of workers, showed a greater percentage jump, increasing by 60% during the war. The amount of increase, however, was only $8,400,000,000 with a slight decrease being recorded for 1945 as war production cutbacks resulted in an over-all reduction in payrolls. Industrial insurance, the small-unit weekly premium policies, increased $7,100,000,000 during the entire war period, and $1,200,000,000 during the past year. The advices from the Institute also state:

"The flow of benefit payments has increased during the war years, the aggregate paid to American families during the six years being about $15,100,000,000. For 1945 alone, these payments amounted to $2,680,000,000, representing benefit payments under millions of policies and for a widely varied use in millions of homes. Death benefits totaled $1,300,000,000 last year, a new all-time peak volume due primarily to the war deaths claims. For the war period as a whole, however, total death benefit payments were $6,600,000,000, of which less than 4% were war death claims.

"Total reserves behind the policies in force increased to $38,500,000,000 at the close of 1945, a new all-time peak, 49% greater than the aggregate at the close of 1939 of $25,800,000,000. This is a net increase of $12,700,000,000 set aside for policyholders, an increase in their policy values and an effective aid in the battle against inflation.

"Total assets of all U.S. companies reached $44,700,000,000 at the end of 1945, of which more than $20,000,000,000, or over 45%, is invested in United States Government securities. This is an increase of over $15,000,000,000 since 1939. The balance of the assets is invested in a representative cross-section of the nation's economy, including $10,800,000,000 in the securities of business and industry.

"Establishment of the Life Insurance Medical Research Fund by the life insurance companies was one of the important events of the past year. Aggregate funds of $3,500,000 are to be provided by these companies over the next six years to finance research in the field of diseases of the heart and arteries."

Ecuador Fixes Dollar Quota

Advices Jan. 8 to the New York "Times," by cable from Guayaquil, Ecuador, stated that the Central Bank has fixed the dollar import quota at 6,000,000 for the first quarter of 1946, but it may increase to 9,000,000, according to a report in El Telegrafo. The cable advices added:

The Import Control Board assigns individual quotas for each importing firm and permits will not be issued for any excess.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Jan. 9, 1946, figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Dec. 22, 1945, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Dec. 22 (in round-lot transactions) totaled 2,436,025 shares, which amount was 15.90% of the total transactions on the Exchange of 7,659,410 shares. This compares with member trading during the week ended Dec. 15 of 2,805,605 shares, or 15.14% of the total trading of 9,264,880 shares. On the New York Curb Exchange, member trading during the week ended Dec. 22 amounted to 598,455 shares or 11.29% of the total volume on that Exchange of 2,649,005 shares. During the week ended Dec. 15 trading for the account of Curb members of 2,805,605 shares was 13.43% of the total trading of 3,817,345 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 22, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	167,560	
‡Other sales	7,491,850	
Total sales	7,659,410	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	779,360	
Short sales	89,830	
‡Other sales	677,070	
Total sales	766,900	10.09
2. Other transactions initiated on the floor—		
Total purchases	147,240	
Short sales	10,700	
‡Other sales	185,300	
Total sales	196,000	2.24
3. Other transactions initiated off the floor—		
Total purchases	234,459	
Short sales	32,400	
‡Other sales	279,666	
Total sales	312,066	3.57
4. Total—		
Total purchases	1,161,059	
Short sales	132,930	
‡Other sales	1,142,036	
Total sales	1,274,966	15.90

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 22, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	19,525	
‡Other sales	2,629,480	
Total sales	2,649,005	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	212,745	
Short sales	13,995	
‡Other sales	180,270	
Total sales	194,265	7.68
2. Other transactions initiated on the floor—		
Total purchases	40,725	
Short sales	550	
‡Other sales	30,900	
Total sales	31,450	1.36
3. Other transactions initiated off the floor—		
Total purchases	43,830	
Short sales	2,700	
‡Other sales	72,740	
Total sales	75,440	2.25
4. Total—		
Total purchases	2[illegible]7,300	
Short sales	17,245	
‡Other sales	283,910	
Total sales	301,155	11.29
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	91,883	
Total purchases	91,883	
Total sales	90,350	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended Jan. 5, 1946, as estimated by the Bureau of Mines, amounted to approximately 10,125,000 net tons, an increase of 3,025,000 tons over that in the Christmas week. It was, however, 450,000 tons below that of the corresponding week in 1945. The daily average for the week under review (based on 5.1 working days) was 1,985,000 tons, which compares with 1,888,000 tons in the corresponding week in 1945 (which was based on 5.6 working days). The total output of soft coal in the calendar year 1945 is estimated at 576,000,000 net tons, a decrease of 43,576,000 tons, or 7.0% when compared with the 619,576,000 tons produced in the year 1944.

Production of Pennsylvania anthracite for the week ended Jan. 5, 1946, as estimated by the Bureau of Mines, was 736,000 tons, an increase of 98,000 tons, or 15.4%, over the preceding week. When compared with the output in the corresponding week of 1945, there was a decrease of 43,000 tons, or 5.5%. The total production of anthracite in the calendar year 1945 was estimated at 54,615,000 tons, a decrease of 14.3%, from 1944.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Jan. 5, 1946 showed an increase of 15,500 tons when compared with the output for the week ended Dec. 29, 1945; but was 300 tons less than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

	Week Ended		
Bituminous coal and lignite—	Jan. 5, 1946	*Dec. 29, 1945	Jan. 6, 1945
Total, including mine fuel	10,125,000	7,100,000	10,575,000
Daily average	†1,985,000	1,420,000	‡1,888,000

*Revised. †Average based on 5.1 working days. ‡Average based on 5.6 working days.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn Anthracite—	‡Jan. 5, 1946	§Dec. 29, 1945	Jan. 6, 1945	Jan. 5, 1946	Jan. 6, 1945	Jan. 9, 1937
*Total incl. coll. fuel	736,000	638,000	779,000	597,000	779,000	1,278,000
†Commercial produc.	707,000	612,000	748,000	573,000	748,000	1,214,000
Beehive coke—						
United States total	89,000	73,500	89,300	63,600	76,600	82,800

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Dec. 29, 1945	Dec. 22, 1945	Dec. 30, 1944
Alabama	186,000	334,000	251,000
Alaska	6,000	6,000	5,000
Arkansas and Oklahoma	75,000	97,000	70,000
Colorado	110,000	154,000	131,000
Georgia and North Carolina	*	1,000	*
Illinois	1,016,000	1,450,000	1,262,000
Indiana	362,000	495,000	451,000
Iowa	28,000	40,000	41,000
Kansas and Missouri	104,000	125,000	132,000
Kentucky—Eastern	530,000	895,000	696,000
Kentucky—Western	270,000	375,000	253,000
Maryland	27,000	40,000	24,000
Michigan	3,000	3,000	3,000
Montana (bitum. & lignite)	91,000	112,000	106,000
New Mexico	23,000	31,000	23,000
North & South Dakota (lignite)	64,000	75,000	64,000
Ohio	410,000	655,000	389,000
Pennsylvania (bituminous)	1,765,000	2,485,000	1,819,000
Tennessee	83,000	125,000	96,000
Texas (bituminous & lignite)	2,000	2,000	3,000
Utah	81,000	126,000	103,000
Virginia	165,000	345,000	262,000
Washington	42,000	31,000	28,000
†West Virginia—Southern	892,000	1,945,000	1,350,000
‡West Virginia—Northern	618,000	810,000	705,000
Wyoming	147,000	223,000	166,000
§Other Western States	*	*	*
Total bituminous & lignite	7,100,000	10,980,000	8,433,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Civil Engineering Construction Totals $87,971,000 for a Long (Seven-Day) Week

Civil engineering construction volume in continental United States totals $87,971,000 for a seven-day week (due to preceding short weeks during holidays) ending Jan. 10, 1946, as reported to "Engineering News-Record." This volume is 103% greater than the volume reported for last week (a three-day week) and is 284% greater than in 1945 week, (a five-day week). The report issued on Jan. 10, went on to say:

Comparison of the first two weeks of 1946 with the first two weeks of 1945 show that the 1946 civil engineering construction volume total is 154% greater than in 1945. On the same basis, private construction is 300% greater than the 1945 cumulative figure, while state and municipal construction recorded a 227% increase over 1945. Public construction increased 41% and federal work decreased 50% below the volume for the first two weeks of 1945.

Civil engineering construction volume for the current week, last week, and the 1945 week are:

	Jan. 10, 1946	Jan. 3, 1946	Jan. 11, 1945
Total U. S. Construction	$87,971,000	$43,295,000	$22,891,000
Private Construction	63,638,000	26,642,000	6,430,000
Public Construction	24,333,000	16,653,000	16,460,000
State and Municipal	16,834,000	14,474,000	3,310,000
Federal	7,499,000	2,179,000	13,151,000

Latest Summary of Copper Statistics

The Copper Institute on Jan. 11 released the following statistics pertaining to production, deliveries and stocks of duty-free copper.

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE
(In Tons of 2,000 Pounds)

U. S. Duty Free Copper	Production *Crude	Production Refined	Deliveries to Customers †Domestic	Deliveries to Customers Export	‡Refined Stocks End of Period	Stock Increase (+) or Decreases (—) §Blister	Stock Increase (+) or Decreases (—) Refined
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785	—130,270
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	—41,417	— 16,713
Year 1941	1,016,996	1,065,667	1,545,541	307	75,564	—48,671	— 67,208
Year 1942	1,152,344	1,135,708	1,635,236	----	65,309	+16,636	— 10,255
Year 1943	1,194,699	1,206,871	1,643,677	----	52,121	—12,172	— 13,188
Year 1944	1,056,180	1,098,788	1,636,295	----	66,780	—42,608	+ 14,659
Year 1945	841,824	843,113	1,517,842	----	76,512	— 1,289	+ 9,732
Jan., 1945	73,754	67,726	145,904	----	59,715	+ 6,028	— 7,065
Feb., 1945	67,496	69,950	172,585	----	57,142	— 2,454	— 2,573
Mar., 1945	76,537	76,395	218,488	----	51,861	+ 142	— 5,281
Apr., 1945	74,392	75,436	161,111	----	55,453	— 1,044	+ 3,592
May, 1945	74,469	85,319	139,203	----	63,841	—10,850	+ 8,388
June, 1945	72,271	74,377	94,031	----	70,738	— 2,106	+ 6,897
July, 1945	72,855	72,995	88,661	----	76,166	— 140	+ 5,428
Aug., 1945	68,253	69,127	86,840	----	80,316	— 874	+ 4,150
Sept., 1945	64,091	45,145	83,478	----	68,675	+18,946	— 11,641
Oct., 1945	69,322	70,363	104,104	----	73,913	— 1,041	+ 5,238
Nov., 1945	65,586	70,218	119,973	----	74,425	— 4,632	+ 512
Dec., 1945	62,798	66,062	103,464	----	76,512	— 3,264	+ 2,087

*Mine or smelter production or shipments, and custom intake including scrap.

†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.

‡At refineries on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.

§Computed by difference between mine and refined production.

NOTE—Statistics for the month of November, 1945, have been revised.

Insured Savings Ass'n to Hold Conference

The Council of Insured Savings Associations of New York State will hold its Annual Management Conference on Jan. 23 and 24 at the Roosevelt Hotel, New York City. About 100 savings association executives from throughout the state are expected to attend. Discussions will be on a round-table basis with principal attention being given to the problems of homes for veterans and financing the reconversion of existing units, repairs and new construction. In the opening session the discussion will center on financing homes for veterans under the recently amended G. I. Bill of Rights. Chairman of this meeting will be C. Harry Minners, President of the Bankers Federal Savings and Loan Association of New York. "Financing New Home Construction" will be the topic of the second session under the chairmanship of Selden W. Ostrom, President of New Rochelle Federal Savings and Loan Association. Plans will be discussed for the pooling of funds for financing low-rent housing as well as the financing of large scale builders of one and two-family units.

The third round-table will cover two subjects namely: "Government Bond Portfolio" and "Property Reconversion and Improvement Loans." Philip Liebschutz, President of the Columbia Banking, Savings and Loan Association of Rochester, will preside.

The Council of Insured Savings Association is currently preparing a manual of procedure for making Title I F.H.A. loans to finance such conversion as well as to finance the war-created backlog of maintenance and repairs on residential property. The procedures, as set forth in the manual, will be reviewed during this last round-table session of the Management Conference.

On the evening of Jan. 23 a Conference Dinner will be held at which time savings association executives and directors will hear James C. Downs, Jr., President of Real Estate Research Corporation discuss "Residential Construction and Financing Outlook for 1946."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 9, 1946, a summary for the week ended Dec. 29 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Dec. 29, 1945

	Total For Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	23,031
Number of shares	663,492
Dollar Value	$29,021,112
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	87
*Customers' other sales	18,777
Customers' total sales	18,364
Number of Shares:	
Customers' short sales	2,613
*Customers' other sales	520,176
Customers' total sales	522,789
Dollar value	$23,127,197
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	80,240
Total sales	80,270
Round-Lot Purchases by Dealers—	
Number of shares	237,860

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Daily Average Crude Oil Production for Week Ended Jan. 5, 1946 Increased 74,200 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Jan. 5, 1946 was 4,548,100 barrels, an increase of 74,200 barrels per day over the preceding week and 6,100 barrels in excess of the daily average figure of 4,542,000 barrels recommended by the Bureau of Mines for the month of December, 1945. The current figure, however, was 130,450 barrels per day below the output for the week ended Jan. 6, 1945. Daily production for the four weeks ended Jan. 5, 1946 averaged 4,504,100 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,651,000 barrels of crude oil daily and produced 14,488,000 barrels of gasoline; 2,201,000 barrels of kerosine; 5,293,000 barrels of distillate fuel, and 8,867,000 barrels of residual fuel oil during the week ended Jan. 5, 1946; and had in storage at the end of that week 98,494,000 barrels of finished and unfinished gasoline; 10,530,000 barrels of kerosine; 35,199,000 barrels of distillate fuel, and 42,371,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements December	State Allowables Begin. Dec. 1	Actual Production Week Ended Jan. 5, 1946	Change from Previous Week	4 Weeks Ended Jan. 5, 1946	Week Ended Jan. 6, 1945
Oklahoma	388,000	388,000	†392,800	+ 1,950	389,350	361,200
Kansas	268,000	249,400	†205,950	—35,950	242,300	229,900
Nebraska	800	----	†750	----	750	1,000
Panhandle Texas			81,000	----	81,000	88,700
North Texas			152,800	+ 3,150	150,450	143,150
West Texas			489,400	+23,600	471,700	478,600
East Central Texas			139,800	+ 4,500	135,150	144,050
East Texas			320,000	+13,000	310,250	370,900
Southwest Texas			328,800	+14,250	318,100	342,350
Coastal Texas			487,500	+18,400	474,100	552,600
Total Texas	1,940,000	‡2,029,706	1,999,300	+76,900	1,940,750	2,120,350
North Louisiana			77,750	+ 500	76,950	70,450
Coastal Louisiana			295,300	----	295,300	289,200
Total Louisiana	365,000	406,000	373,050	+ 500	372,250	359,650
Arkansas	78,000	77,311	76,550	— 100	76,250	81,000
Mississippi	48,000		54,500	+ 550	54,100	49,700
Alabama	500		650	— 50	400	250
Florida	----		100	----	100	50
Illinois	213,000		205,200	+ 2,800	205,800	206,900
Indiana	13,500		14,150	+ 750	13,350	12,700
Eastern— (Not incl. Ill., Ind., Ky.)	65,200		63,550	+ 9,600	58,600	62,450
Kentucky	29,000		30,050	+ 500	29,350	29,700
Michigan	47,000		45,250	+ 550	45,900	49,250
Wyoming	92,000		91,650	+ 200	91,200	95,000
Montana	22,000		19,500	— 800	20,100	20,450
Colorado	20,000		30,050	+ 9,600	23,000	9,200
New Mexico	102,000	104,000	98,300	+ 450	98,000	103,200
Total East of Calif.	3,692,000		3,701,350	+67,450	3,661,550	3,791,950
California	850,000	§824,000	846,750	+ 6,750	842,550	886,600
Total United States	4,542,000		4,548,100	+74,200	4,504,100	4,678,550

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of December. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m., Jan. 2, 1946.

‡This is the net basic allowable as of Dec. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 10 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JAN. 5, 1946

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Produc'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.5	754	95.3	1,800	20,774	3,876	10,680	6,896
Appalachian—								
District No. 1	76.8	84	57.5	285	3,026	313	544	281
District No. 2	81.2	59	118.0	136	1,155	47	143	179
Ind., Ill., Ky.	87.2	728	84.9	2,707	20,183	1,712	5,174	2,680
Okla., Kan., Mo.	78.3	392	83.6	1,487	9,140	567	1,996	1,063
Inland Texas	59.8	214	64.8	869	2,854	228	385	737
Texas Gulf Coast	89.3	1,162	93.9	3,686	17,022	1,815	5,889	5,233
Louisiana Gulf Coast	96.8	316	121.5	862	4,967	1,105	1,858	1,379
No. La. & Arkansas	55.9	50	39.7	157	1,924	187	453	281
Rocky Mountain—								
District No. 3	17.1	12	92.3	34	102	20	16	31
District No. 4	72.1	93	58.5	351	1,899	89	436	724
California	86.5	787	81.4	2,114	15,448	571	7,625	22,887
Total U. S. B. of M. basis Jan. 5, 1946	85.7	4,651	86.0	14,488	*98,494	10,530	35,199	42,371
Total U. S. B. of M. basis Dec. 29, 1945	85.7	4,729	87.5	14,546	95,205	10,201	36,651	42,447
U. S. B. of M. basis Jan. 6, 1945		4,671		14,552	†87,005	10,751	37,409	55,567

*Includes 8,169,000 barrels of unfinished gasoline stocks. †Includes 13,402,000 barrels of unfinished gasoline stocks. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 2,201,000 barrels of kerosine, 5,293,000 barrels of gas oil and distillate fuel oil and 8,867,000 barrels of residual fuel oil produced during the week ended Jan. 5, 1946, which compares with 2,121,000 barrels, 5,055,000 barrels and 8,765,000 barrels, respectively, in the preceding week and 1,388,000 barrels, 4,546,000 barrels and 9,399,000 barrels, respectively, in the week ended Jan. 6, 1945.

NOTE—Separation into military and civilian grade discontinued, because of the increasing difficulty experienced by refiners in attempting to determine the ultimate disposition of these inventories.

Result of Treasury Bill Offering

The Secretary of Treasury announced on Jan. 14 that the tenders for $1,300,000,000 or thereabout of 91-day Treasury bills to be dated Jan. 17 and to mature April 18, which were offered on Jan. 11, were opened at the Federal Reserve Bank on Jan. 14.

Total applied for, $2,005,255,000.

Total accepted, $1,312,132,000 (includes $61,205,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.95; equivalent rate of discount approximately 0.376% per annum.

(61% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 17 in the amount of $1,309,645,000.

Cost of Living Rises in Nov.

Living costs for the average family of wage earners and lower-salaried clerical workers in the United States increased 0.4% in November, the greatest monthly rise since last June, the National Industrial Conference Board reported on Jan. 10. The Conference Board's cost of living index stood at 106.7 (1923=100) in November, compared with 106.3 in October. The index was 1.3% higher than in November, 1944. An increase of 1.0% in food costs, to a level 2.5% higher than in November, 1944, featured the rise in the cost of living. Other increased costs were 0.1% in men's clothing and 0.1% in sundries.

Revenue Freight Car Loadings During Week Ended Jan. 5, 1946 Increased 146,306 Cars

Loading of revenue freight for the week ended Jan. 5, 1946 totaled 652,457 cars, a decrease below the corresponding week of 1945 of 30,941 cars, or 4.5%, and a decrease below the same week in 1944 of 117,172 cars or 15.2%. (Both 1946 and 1945 included New Year holiday.)

Loading of revenue freight for the week of Jan. 5, increased 146,306 cars, or 28.9% above the preceding week which included Christmas holidays.

Miscellaneous freight loading totaled 295,632 cars, an increase of 60,942 cars above the preceding week, but a decrease of 40,393 cars below the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 97,855 cars, an increase of 10,192 cars above the preceding week, and an increase of 8,491 cars above the corresponding week in 1945.

Coal loading amounted to 146,183 cars, an increase of 45,277 cars above the preceding week, but a decrease of 2,908 cars below the corresponding week in 1945.

Grain and grain products loading totaled 43,912 cars, an increase of 9,026 cars above the preceding week and an increase of 4,349 cars above the corresponding week in 1945. In the Western Districts alone, grain and grain products loading for the week of Jan. 5 totaled 28,994 cars, an increase of 5,776 cars above the preceding week and an increase of 673 cars above the corresponding week in 1945.

Livestock loading amounted to 20,804 cars, an increase of 9,272 cars above the preceding week and an increase of 5,455 cars above the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of Jan. 5 totaled 15,335 cars, an increase of 6,740 cars above the preceding week, and an increase of 4,307 cars above the corresponding week in 1945.

Forest products loading totaled 26,090 cars, an increase of 10,249 cars above the preceding week, but a decrease of 5,055 cars below the corresponding week in 1945.

Ore loading amounted to 9,133 cars, an increase of 1,418 cars above the preceding week, but a decrease of 740 cars below the corresponding week in 1945.

Coke loading amounted to 12,848 cars, a decrease of 70 cars below the preceding week, and a decrease of 140 cars below the corresponding week in 1945.

All districts reported decreases compared with the corresponding week in 1945 except the Eastern and Northwestern and all reported decreases compared with 1944.

	1946	1945	1944
Week of January 5	652,457	683,398	769,629

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Dec. 29, 1945 and Jan. 5, 1946. During the first period only 28 roads showed increases when compared with the corresponding week in 1944, while during the second period 56 roads reported gains over the week ended Jan. 6, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS—WEEKS ENDED DEC. 29, 1945 AND JAN. 5, 1946)

Railroads	Week Ended Dec. 29 — Total Revenue Freight Loaded 1945	1944	1943	Total Loads Received from Connections 1945	1944	Week Ended Jan. 5 — Total Revenue Freight Loaded 1946	1945	1944	Total Loads Received from Connections 1946	1945
Eastern District—										
Ann Arbor	307	237	238	1,031	1,230	317	248	268	1,233	1,258
Bangor & Aroostook	2,288	1,634	2,040	313	425	2,993	2,323	2,326	380	597
Boston & Maine	5,422	4,822	5,816	11,521	12,967	6,071	6,059	6,127	12,347	13,167
Chicago, Indianapolis & Louisville	795	969	1,035	1,455	1,420	824	1,090	1,082	1,588	1,869
Central Indiana	13	24	35	31	41	36	26	32	45	39
Central Vermont	794	798	958	2,156	1,723	812	921	840	1,950	1,468
Delaware & Hudson	3,225	3,485	4,136	10,061	10,855	3,787	3,694	5,163	10,014	10,914
Delaware, Lackawanna & Western	5,139	5,643	6,295	6,991	9,341	5,973	5,516	7,093	7,523	7,552
Detroit & Mackinac	158	102	101	152	89	187	132	160	160	91
Detroit, Toledo & Ironton	1,500	1,359	1,794	1,245	1,128	1,729	1,302	2,316	1,646	1,036
Detroit & Toledo Shore Line	261	272	249	2,347	2,538	254	280	285	2,399	2,194
Erie	7,527	9,051	9,502	12,457	14,291	9,322	9,492	11,480	12,712	14,411
Grand Trunk Western	2,157	2,781	2,946	7,298	7,497	2,436	3,016	3,020	6,502	7,371
Lehigh & Hudson River	97	158	151	2,132	2,336	112	144	165	1,898	2,408
Lehigh & New England	1,182	1,164	1,410	1,196	960	1,354	1,214	1,574	1,345	1,098
Lehigh Valley	5,306	5,627	6,686	6,399	10,532	6,624	5,414	8,012	6,008	8,109
Maine Central	1,996	1,602	2,044	3,792	3,045	2,742	1,946	2,004	4,402	3,935
Monongahela	4,077	4,149	4,300	179	355	4,925	5,110	5,808	240	430
Montour	1,650	1,740	1,918	17	15	1,808	1,854	2,562	15	18
New York Central Lines	31,352	35,273	38,775	35,910	42,278	37,895	37,172	45,669	42,005	46,686
N. Y., N. H. & Hartford	7,977	7,777	8,224	12,539	15,782	8,493	8,309	9,032	12,604	15,418
New York, Ontario & Western	678	745	1,126	1,689	2,848	552	625	1,043	1,696	2,776
New York, Chicago & St. Louis	3,827	5,018	5,670	10,547	13,251	5,275	5,052	6,590	10,936	13,232
N. Y., Susquehanna & Western	317	337	384	1,688	2,111	335	305	560	1,761	1,699
Pittsburgh & Lake Erie	5,683	6,101	6,513	5,344	5,674	6,675	6,910	7,775	6,274	6,367
Pere Marquette	3,546	3,745	3,849	5,199	6,489	3,963	3,689	4,259	5,517	5,664
Pittsburgh & Shawmut	652	465	792	8	6	676	595	838	18	6
Pittsburg, Shawmut & North	151	141	267	159	180	231	251	283	231	168
Pittsburgh & West Virginia	602	698	949	1,594	2,180	745	689	835	1,701	2,641
Rutland	259	283	266	935	781	280	310	272	997	746
Wabash	4,005	4,434	4,547	9,235	11,246	5,213	5,014	6,328	9,698	11,310
Wheeling & Lake Erie	3,077	3,652	3,763	3,067	3,596	3,921	4,219	4,029	3,073	4,163
Total	106,020	114,286	126,779	158,687	187,210	126,560	122,921	147,830	168,918	188,841
Allegheny District—										
Akron, Canton & Youngstown	376	585	613	1,104	1,128	*376	642	752	*1,104	1,245
Baltimore & Ohio	26,348	28,729	33,246	17,343	23,035	35,834	36,058	40,669	19,370	23,734
Bessemer & Lake Erie	981	1,423	2,042	1,028	1,205	1,258	1,661	2,980	1,092	1,338
Buffalo Creek & Gauley	†	†	301	†	†	†	†	†	†	†
Cambria & Indiana	729	1,110	1,416	9	6	871	1,378	1,676	4	8
Central R. R. of New Jersey	3,889	4,818	5,358	13,500	16,918	4,795	5,221	6,165	14,487	16,231
Cornwall	288	367	541	40	52	311	365	555	42	47
Cumberland & Pennsylvania	214	121	172	13	4	227	110	221	15	9
Ligonier Valley	9	80	141	5	29	20	72	132	26	21
Long Island	976	1,119	968	4,120	3,987	1,152	1,337	1,234	3,808	3,914
Penn-Reading Seashore Lines	1,066	1,468	1,343	1,467	2,199	1,215	1,465	1,476	1,499	2,078
Pennsylvania System	50,797	57,734	64,877	42,919	50,258	62,146	65,033	72,759	46,817	54,617
Reading Co.	8,785	10,925	11,493	21,155	23,245	10,400	11,522	14,219	22,687	23,888
Union (Pittsburgh)	14,535	17,054	18,403	2,564	2,948	17,452	17,268	19,246	2,537	3,133
Western Maryland	2,367	2,709	3,436	9,277	10,187	3,588	3,455	4,007	10,359	11,161
Total	111,360	128,242	144,350	114,544	135,201	139,645	145,587	166,091	123,847	141,424
Pocahontas District—										
Chesapeake & Ohio	15,184	18,193	24,341	7,564	8,794	24,154	26,135	29,093	8,543	10,743
Norfolk & Western	9,886	12,832	18,053	4,767	7,010	17,478	19,424	21,972	5,740	7,636
Virginian	1,904	2,696	4,061	985	2,271	4,360	4,638	4,815	1,006	2,089
Total	26,974	33,721	46,455	13,316	18,075	45,992	50,197	55,880	15,289	20,468

Railroads	Week Ended Dec. 29 — Total Revenue Freight Loaded			Total Loads Received from Connections		Week Ended Jan. 5 — Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944	1946	1945	1944	1946	1945
Southern District—										
Alabama, Tennessee & Northern	126	158	215	144	273	276	288	301	232	344
Atl. & W. P.—W. R. R. of Ala.	446	538	583	1,364	2,798	662	817	787	1,509	3,049
Atlanta, Birmingham & Coast	356	551	577	738	1,213	*356	743	633	*738	1,342
Atlantic Coast Line	7,718	8,159	9,716	6,849	9,490	12,746	12,905	12,322	8,349	10,857
Central of Georgia	1,790	2,183	2,799	2,778	3,841	3,362	3,398	3,589	3,607	4,185
Charleston & Western Carolina	174	236	285	913	1,355	305	370	321	1,286	1,582
Clinchfield	678	1,020	1,498	2,242	2,683	1,340	1,490	1,599	2,846	3,088
Columbus & Greenville	154	164	243	185	182	327	280	221	215	258
Durham & Southern	71	79	92	480	456	67	117	89	251	644
Florida East Coast	2,078	2,298	2,692	1,188	1,467	3,021	3,012	2,962	1,227	1,443
Gainesville Midland	24	20	40	89	89	46	45	36	91	112
Georgia	459	914	882	1,419	2,901	788	1,184	1,038	1,386	2,812
Georgia & Florida	170	313	385	519	448	312	407	385	580	585
Gulf, Mobile & Ohio	2,935	2,807	3,114	2,625	2,943	3,938	3,716	3,712	3,143	3,303
Illinois Central System	17,972	22,404	23,949	11,532	16,699	22,425	24,020	27,917	12,783	13,799
Louisville & Nashville	15,005	17,556	21,247	7,569	10,643	22,563	23,762	24,075	7,796	10,985
Macon, Dublin & Savannah	105	99	86	669	634	185	179	157	724	706
Mississippi Central	116	165	248	314	457	255	246	251	353	472
Nashville, Chattanooga & St. L.	1,887	2,185	2,467	2,761	3,777	2,541	2,827	2,960	3,201	3,864
Norfolk Southern	481	475	567	1,014	2,090	821	725	911	1,040	1,944
Piedmont Northern	227	297	333	1,268	1,082	451	524	386	1,212	1,142
Richmond, Fred. & Potomac	148	207	224	7,007	8,598	257	452	366	8,353	9,990
Seaboard Air Line	6,475	6,453	6,639	6,058	6,881	9,577	9,493	10,833	6,779	7,914
Southern System	14,482	15,995	18,012	17,000	20,720	20,996	21,673	21,266	19,832	22,709
Tennessee Central	288	402	493	733	598	390	501	543	748	709
Winston-Salem Southbound	77	79	93	549	1,004	127	112	130	638	887
Total	74,442	85,757	97,479	78,007	103,322	108,134	113,277	117,790	89,019	108,725
Northwestern District—										
Chicago & North Western	11,340	11,551	12,674	10,865	12,340	13,815	12,709	15,644	11,569	11,534
Chicago Great Western	1,946	1,996	2,150	2,915	3,137	2,547	2,148	2,764	2,841	3,016
Chicago, Milw., St. P. & Pac.	14,295	16,826	17,094	8,827	9,546	17,465	17,749	21,229	8,893	8,305
Chicago, St. Paul, Minn. & Omaha	2,975	3.031	3,367	3,391	3,422	3,612	3,141	4,340	3.500	3,293
Duluth, Missabe & Iron Range	857	962	989	221	158	1,028	960	1,128	232	140
Duluth, South Shore & Atlantic	411	391	619	367	543	554	452	882	385	498
Elgin, Joliet & Eastern	6,446	7,966	8,041	9,014	10,128	8,280	8,371	8,328	8,343	9,956
Ft. Dodge, Des Moines & South	323	287	346	92	73	348	298	420	93	71
Great Northern	8,015	9,090	9,184	3,728	5,081	10,099	10,206	12,733	3,581	4,752
Green Bay & Western	343	362	420	621	968	*343	423	550	*621	755
Lake Superior & Ishpeming	187	159	158	44	38	270	203	212	48	60
Minneapolis & St. Louis	1,544	1,617	1,948	1,852	2,411	1,799	1,570	2,453	1,913	2,018
Minn., St. Paul & S. S. M.	3,923	3,736	4,384	2,848	2,368	4,803	3,855	5,834	2,996	2,385
Northern Pacific	6,410	7,202	7,376	3,514	5,152	8,195	8,428	10,119	3,587	5,162
Spokane International	48	175	72	369	520	94	184	105	227	420
Spokane, Portland & Seattle	1,103	1,506	1,567	1,686	3,204	1,498	1,786	2,223	1,881	3,041
Total	60,166	66,657	70,479	50,354	59,089	74,750	72,483	88,964	50,710	55,406
Central Western District—										
Atch., Top. & Santa Fe System	16,299	17,820	17,548	7,731	11,891	20,901	21,379	21,154	7,843	11,084
Alton	*2,181	2,535	2,611	*2,660	3,318	*2,005	2,500	2,944	*2,715	2,930
Bingham & Garfield	184	340	511	44	51	245	404	465	54	75
Chicago, Burlington & Quincy	14,480	15,381	16,338	9,220	11,887	17,442	17,137	21,511	9,247	10,579
Chicago & Illinois Midland	1,841	2,374	2,733	729	861	2,665	2,597	2,892	769	759
Chicago, Rock Island & Pacific	8,866	9,967	8,951	9,345	12,889	11,332	11,166	12,353	9,974	11,342
Chicago & Eastern Illinois	1,834	1,947	2,259	2,521	5,144	2,419	2,416	2,510	2,659	4,906
Colorado & Southern	479	466	571	1,368	1,960	592	558	681	1,565	1,927
Denver & Rio Grande Western	2,084	3,125	3,085	3,674	5,829	2,684	3,131	3,523	3,460	5,489
Denver & Salt Lake	652	491	717	42	20	760	700	992	38	8
Fort Worth & Denver City	524	473	598	1,046	1,117	714	697	582	1,263	921
Illinois Terminal	1,551	2,224	1,748	1,260	1,939	*1,551	1,998	1,980	*1,260	1,728
Missouri-Illinois	688	742	867	368	474	725	814	1,062	403	525
Nevada Northern	1,373	1,441	1,710	106	115	1,315	1,445	1,657	99	104
North Western Pacific	278	424	560	356	793	424	553	696	358	693
Peoria & Pekin Union	12	10	21	0	0	8	1	34	0	0
Southern Pacific (Pacific)	17,136	22,090	22,797	7,487	12,658	20,634	25,892	26,144	7,339	12,306
Toledo, Peoria & Western	0	266	297	0	1,749	0	330	439	0	1,537
Union Pacific System	12,255	13,849	13,345	9,714	13,707	15,234	16,478	16,395	10,559	13,374
Utah	553	390	548	4	0	758	536	663	3	5
Western Pacific	1,102	1,624	1,688	2,273	3,434	1,173	1,900	1,939	2,205	3,705
Total	84,372	97,979	99,503	59,948	89,836	103,581	112,632	120,616	61,813	83,997
Southwestern District—										
Burlington-Rock Island	300	264	261	707	606	333	278	241	369	373
Gulf Coast Lines	3,676	4,631	5,227	2,007	2,141	4,760	6,877	7,791	2,027	2,422
International-Great Northern	1,326	1,881	1,347	2,902	3,268	1,722	2,377	1,838	3,296	2,873
Kansas, Oklahoma & Gulf	‡	‡	292	‡	‡	‡	‡	252	‡	‡
Kansas City Southern	1,957	4,200	4,725	2,129	2,311	2,320	4,312	5,057	2,256	2,438
Louisiana & Arkansas	1,802	2,332	2,882	1,877	2,268	*1,802	2,763	3,282	*1,877	2,172
Litchfield & Madison	247	234	231	892	1,107	274	249	292	921	1,058
§Midland Valley	860	871	791	1,302	1,490	1,340	1,057	784	1,535	1,457
Missouri & Arkansas	90	69	121	282	469	117	107	149	279	422
Missouri-Kansas-Texas Lines	3,873	5,518	4,059	2,853	4,783	4,501	5,753	5,763	2,990	4,737
Missouri Pacific	10,867	12,289	13,369	11,118	15,864	13,746	15,398	17,905	12,130	16,516
Quanah Acme & Pacific	52	55	46	182	344	93	52	60	148	330
St. Louis-San Francisco	6,074	7,403	6,348	5,354	7,534	8,205	8,024	8,617	6,000	6,218
St. Louis-Southwestern	1,852	2,749	2,656	3,937	6,489	2,336	3,174	2,673	4,342	6,624
Texas & New Orleans	6,412	9,448	11,055	4,178	4,920	8,260	11,080	12,517	4,472	4,900
Texas & Pacific	3,309	5,967	4,885	4,681	7,079	3,845	4,695	5,145	5,304	6,951
Wichita Falls & Southern	93	93	88	52	47	65	78	78	60	20
Weatherford M. W. & N. W.	27	30	16	14	41	76	37	14	9	23
Total	42,817	58,034	58,399	44,467	60,761	53,795	66,301	72,458	48,015	59,534

*Previous week's figure. †Not reporting. ‡Included in Mid and Ry. §Includes Kansas, Oklahoma & Gulf Ry. and Oklahoma City—Ada-Atoka Ry. on Jan. 5, 1946 and on Jan. 6, 1945.

NOTE—Previous year's figures revised.

Non-Ferrous Metals — Rhodesian and Canadian Copper Sold to Britain — Dec. Zinc Stocks Up

"E. & M. J. Metal and Mineral Markets," in its issue of Jan. 10, 1946, stated: "Aside from the gloom created by the labor difficulties that now threaten to curtail production of both copper and lead, the non-ferrous metal trade was interested in developments outside of this country that tend to remove uncertainty over Great Britain's position as a buyer of metals. The British Ministry of Supply has entered into an agreement to purchase African and Canadian copper, with the result that competition in marketing surplus foreign production will be reduced appreciably. Also, it became known that the British now recognize that the world price of lead has risen and the matter of adjusting home prices is being studied. Quicksilver was unsettled last week and nearby metal sold at concessions." The publication further went on to say in part as follows:

Copper

The British Ministry of Supply has agreed to purchase copper which the Rhodesian and Canadian producers have available for sale in the first half of 1946. The price is roughly the same as that which has prevailed in the world market for some time past, or close to 11.75c, f.a.s., United States funds. With surplus production of these important producing areas taken care of, only the renewal of the South American contracts stands in the way of establishing a firm market for foreign copper.

The mine, mill and smelters workers' union in Utah has voted to strike Jan. 21. Unless the strike is called off before that date, production of copper in this country will drop sharply. The Bayway plant of the Phelps Dodge Copper Products Corporation is closed because of a strike.

Imports of copper in November amounted to 54,033 tons, making the total for the Jan.-Nov. period 775,617 tons, the Bureau of the Census reports. Imports in October and November, in tons, were as follows:

	Nov.	Oct.
In ore, matte, etc.	3,203	2,353
Blister	14,245	24,978
Refined	36,585	48,676
Totals	54,033	76,007

Lead

The industry was interested in an unconfirmed report from London to the effect that the price of lead in Great Britain has been raised £7 10s. per long ton, which would bring the quotation nearer to the world price. The new ceiling would fix the London market for soft foreign at £37 10s per ton. It was known here that the British authorities have experienced difficulty in obtaining lead, and recent bids at £35 per ton failed to interest sellers.

The demand-supply situation in the United States markets remains tight. Mine and smelter workers in Utah voted to strike Jan. 21. The strike in Mexico now is in its second week.

Sales of lead for the week amounted to 6,385 tons.

Lead imports of the United States in October and November, in tons, according to the Bureau of the Census:

	Nov.	Oct.
Ores, etc. (lead content):		
Canada	469	580
Newfoundland	1,249	---
Mexico	13	26
Bolivia	2	---
Chile	---	1,025
Peru	76	4,305
Australia	---	1,922
French West Africa	619	---
Total	2,428	7,858
Pigs and bars:		
Canada	3,077	2,199
Mexico	10,330	11,625
Argentina	---	5
Peru	2,637	4,329
Australia	17	---
Total	16,061	18,158
*Lead scrap and dross	338	121
Antimonial lead, type metal	2,735	1,702

*Lead content.

Cadmium

At the meeting of the advisory committee held in Washington Jan. 8, it was suggested that consumers be restrained from buying in excess of 90% of what they used in 1941, a year that was tentatively set as the base period. Also, it was thought that requirements could be taken care of on a quarterly basis, to better control distribution. Final action on the proposal to regulate consumption is expected shortly.

Zinc

Production of slab zinc in December amounted to 66,104 tons, against 64,337 tons in November. Total shipments came to 62,324 tons in December, which compares with 54,449 tons in November. Stocks at the end of December amounted to 259,333 tons, an increase of 3,780 tons. The November and December figures of the American Zinc Institute, in tons, are summarized as follows:

	Dec.	Nov.
Stock at beginning	255,553	245,665
Production	66,104	64,337
Production, daily rate	2,132	2,145
Shipments:		
Domestic	61,482	51,326
Export and drawback	842	3,123
	62,324	54,449
Stock at end	259,333	255,553
Unfilled orders	27,092	19,005

Slab zinc production in the United States in 1945 totaled 799,462 tons, against 901,332 tons in 1944 and 971.873 tons in 1943. Shipments in 1945 totaled 777,649 tons, which compares with 837,322 tons in 1944 and 887,638 tons in 1943.

The base price of Tri-State zinc concentrate was lowered $5.28 per ton last week, establishing the quotation at $50. This action resulted from the discontinuance of the $5 smelter subsidy on Dec. 31. Operators believe that premium payments will be revised to absorb the reduction in the base price on all quotas excepting the "C" quotas.

Manganese

Output of ferromanganese declined sharply in October, resulting in a reduction in consumption of manganese ore in that month of 17%, the Bureau of Mines reports. Consumption during October amounted to 101,408 tons, against 121,898 tons in September.

Domestic production of manganese ore containing 35% or more manganese totaled 16,200 tons in October, against 16,100 tons in September. Stocks at the end of October amounted to 300 tons.

The Bureau of the Census reports that general imports of manganese ore in October amounted to 126,810 tons (containing 61,021 tons of manganese), against 150,197 tons in September. The Union of South Africa supplied 31%; Russia 24%; Chile and the Gold Coast each 17%; and other countries 11%.

Stocks of manganese ore in the hands of the Office of Metals Reserve on Oct. 31 amounted to 1,175,209 tons, against 1,123,423 tons a month previous. Stocks in the hands of producers and consumers at the end of October totaled 513,156 tons, against 521,133 tons at the end of September.

Quicksilver

Sellers again experienced a quiet market in quicksilver. Though the quotations in New York held at $108 to $110 per flask, it was intimated in some directions that prices might be shaded on a firm bid.

San Francisco, under date of Jan. 8, reports the market on the Coast unchanged at $106 per flask, spot.

Tin

CPA has increased quotas for first-quarter use of tin in the production of collapsible tubes, tin foil, equipment for preparing food, tin pipe and sheet, soldiers, tin plate, and chemicals. In collapsible tubes, manufacturers may now obtain 125% of the quantity used in the corresponding quarter of 1944, as against 100% previously. Use of tin in cast alloys has been reduced. Production of bronze and other tin-bearing alloys used extensively in the war period has dropped sharply, making increased quantities of the metal available for other applications.

The market situation in tin was unchanged last week. Straits quality tin for shipment, in cents per pound, was as follows:

	Jan.	Feb.	March
Jan. 3	52.000	52.000	52.000
Jan. 4	52.000	52.000	52.000
Jan. 5	52.000	52.000	52.000
Jan. 7	52.000	52.000	52.000
Jan. 8	52.000	52.000	52.000
Jan. 9	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Silver

With production in Mexico down because of the strike of mine and smelter workers, the supply situation in silver is expected to become tighter unless the bill extending the Green Act is passed by Congress before the end of the month. The New York Official was unchanged at 70¾c., with London at 44d.

Lumber Movement—Week Ended January 5, 1946

According to the National Lumber Manufacturers Association, lumber shipments of 411 mills reporting to the National Lumber Trade Barometer were 8.3% above production for the week ending Jan. 5, 1946. In the same week new orders of these mills were 28.2% above production. Unfilled order files of the reporting mills amounted to 82% of stocks. For reporting softwood mills, unfilled orders are equivalent to 33 days' production at the current rate, and gross stocks are equivalent to 38 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 8.3%; orders by 28.2%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 20.6% less; shipments were 24.9% less; orders were 21.3% less.

Subscriptions for World Bank Fund

WASHINGTON—(A.P.)—Thirty-five charter member governments have made available nearly $15,000,000,000, or more than 83% of the total subscriptions for the World Bank and Internationnal Stabilization Fund. Associated Press advices from Washington, Jan. 2, indicating this, added:

The State Department said that 83.23%, or $7,324,240,000, had been made available for the $8,800,000,000 stabilization fund and 83.52%, or $7,600,320,000, for the $9,100,000,000 bank

Houston Elected Chairman of Board and Jackson Assumes Presidency of Chemical Bank & Tr. Co.

New Head of New York Institution Succeeds to Post Vacated by Percy H. Johnston. Other Changes Include Appointment of Harold H. Helm as First Vice-President and Joseh A. Bower as Vice-Chairman of Executive Committee. Retiring Chairman Reports on Earnings of the Bank in 1945.

At the annual organization meeting of the Board of Directors of the Chemical Bank & Trust Co., New York, on Jan. 10, Frank K.

Frank K. Houston N. Baxter Jackson Harold H. Helm Joseph A. Bower

Houston was elected Chairman of the Board and Chief Executive Officer. Mr. Houston succeeded Percy H. Johnston, who retired as Chairman after more than 26 years as head of the bank, but agreed, at the request of the Board of Directors, to take the Chairmanship of the Executive Committee. Announcement of Mr. Johnston's retirement was previously referred to in the "Chronicle" of Jan. 10, on page 169.

In becoming the new Chairman of the institution, Mr. Houston has been succeeded in his previous post of President by N. Baxter Jackson, who was formerly First Vice-President. The latter position is now held by Harold H. Helm, and Joseph A. Bower, Chairman of the Trust Committee, who retired as Executive Vice-President on Sept. 30 last, has been named Vice-Chairman of the Executive Committee.

Other Appointments

At the same meeting, Gilbert Yates, who has been Treasurer of the Chemical Bank since 1931, was appointed Vice-President. George Lysle and William S. Renchard, formerly Assistant Vice-Presidents, also were appointed Vice-Presidents. George A. Peer, formerly Assistant Treasurer, was appointed Treasurer, Joseph A. McFadden, Jr. and James B. Richardson, formerly Assistant Secretaries, were appointed Assistant Vice-Presidents. G. Raymond Christensen, formerly Manager of the Government Bond Department, was appointed Assistant Vice-President. William J. Wittman was appointed Assistant Vice-President at the 11 West 51st Street Office, where he was formerly Assistant Secretary. George I. King, Jr. was appointed an Assistant Vice-President at the 320 Broadway Office, where he was formerly Manager. Roger S. Ames, formerly Assistant Trust Officer, was appointed Trust Officer. Malcolm H. Foulk, formerly Assistant Manager of the Foreign Department, was appointed Manager of the Foreign Department.

Other appointments were: Melville P. Chamberlain, Assistant Secretary, Alfred E. Tree, Assistant Manager of the Foreign Department, Joseph Mazzola and Raymond J. Fernandes, Assistant Managers of the Customers' Securities Department, and Christopher J. D. Dodge, Assistant Manager at Eighth Avenue at 57th Street Office.

Johnston Reports on 1945 Operations

In submitting his annual report to shareholders on Jan. 8, retiring Chairman Percy H. Johnston stated that "many years ago we inaugurated a Retirement System for the officers and employees, and as I reached the prescribed age this month, I shall ask the Directors not to re-elect me as Chairman. They have asked me to take the Chairmanship of the Executive Committee, which I have agreed to do. I shall remain as a Director of the Bank (in which my family and I have substantial interests) and have my office in the Bank building." At the same time Mr. Johnston said:

Percy H. Johnston

"I shall be succeeded as Chairman by Frank K. Houston and he will be succeeded in the Presidency by N. Baxter Jackson. Both gentlemen have had twenty-five years service with the Bank. They are time-tried and tested men of sound judgment, and will conduct the Bank along its usual conservative channels and maintain its high ideals of business integrity."

The statement was made by Mr. Johnston in his report that "we view with grave apprehension the tendency of large commercial banks to invade the Investment Banking field by making long time loans and commitments. It is our belief that such policies are unsound and, if generally followed, will bring about a non-liquid and frozen position of such institutions. Bank liabilities are quick, and therefore assets should be of short maturity and readily liquable.". Mr. Johnston went on to say:

"The existing situation discloses that the excess reserves of the large banks are at a minimum. Because of the reserves required to be maintained with the Federal Reserve Bank and the vast holdings of Government obligations by the banks, only a small amount of excess funds remains for employment. Therefore, we cannot help but view with alarm the tendency to put funds in long time loans and committments."

The report presented by Mr. Johnston was for the year ending Dec. 31, 1945, and was the 122nd of the bank's existence. In reviewing the record of the bank for the year Mr. Johnston said:

"The Bank had another excellent year with large earnings; dividends of $3,825,000.00 were earned and declared payable to the shareholders and provision made for all expenses and losses. The amount of $4,605,110.60 was provided for Income, Franchise and other taxes including taxes on the sale of securities, and $799,915.36 was paid for Federal Deposit Insurance. There was also charged against current income $3,979,028.85 for amortization of bond premiums and $60,000.00 for reduction of the banking house on West 51st Street (adjoining Rockefeller Plaza). $519,621.34 which includes $250,000.00 released from reserves, was utilized in reduction of the book value of the office building at 270 Broadway (erected on the site of our former banking home); $436,018.31 for employee welfare and $4,452,-268.58 was added to undivided profits account.

"The shareholders at a special meeting held October 31, 1945 voted favorably upon the proposal to increase the capital stock of the Bank from $20,000,000.00 to $25,000,000.00 and authorized the declaration of a stock dividend equivalent to $5,000,000.00 consisting of 500,000 shares of $10 par value stock to be distributed in the ratio of one share for each four shares outstanding. On November 1, 1945 the Superintendent of Banks signed the authorization. On that day $5,000,000.00 was transferred from unallocated reserves to undivided profits account, after which $10,000,000.00 was transferred from undivided profits account to surplus account. As of the close of business November 10, 1945, $5,000,000.00 was transferred from surplus account to the capital account. The Bank now has a capital of $25,000,000.00, a surplus of $65,000,000.00, undivided profits of $10,050,614.95 and unallocated reserves of $2,-050,012.89 or total capital funds of $102,100,627.84.

"We have taken a leading part in the financing of the war and for several years our principal efforts have been directed to that end. War industry loans and commitments made amounted to $152,295,400.00 and in the eight Government Bond Campaigns, our Team, No. 7, procured subscriptins amounting to $2,792,293,-075.00. On its own account this Bank has purchased $650,470,-000.00 in War and Victory Bonds. Our holdings of United States Government obligations at the end of 1945 amounted to $790,555,-298.00."

The report reveals net operating earnings of the bank for the year ending Dec. 31, 1945, after providing for operating expenses and taxes, of $7,693,114 compared with $7,639,244 the previous year. The operating income is reported as $18,806,691 in 1945 as compared with $17,113,594 in 1944.

Report Sufficient House Votes to Defeat U. S. Loan to Britain

According to Representative Landis, (Republican) of Indiana a "confidential poll" of House members before Christmas disclosed enough votes to defeat the proposed $4,400,000,000 loan to Great Britain. This was indicated in United Press advices from Washington Jan. 5 appearing in the New York "Journal American" which further reported:

Rep. Landis did not say who conducted the poll nor how many members expressed their views.

Other members said they had no knowledge of a formal poll, but some of them expressed the belief that a vote before Christmas or at this time would defeat the loan.

Mr. Landis said "it is reported that if we make the loan to Great Britain, America will be called upon to make loans which will total $26,000,000,000. Forty-seven nations will seek loans from the United States."

From Washington Ahead of the News

(Continued from first page)

States certainly had to stick together and there was really nothing for us to worry about on account of Britain having gone Socialist. In what is known as the frank give and take question and answer period that followed, Mr. Morrison, and we aren't violating any confidences, let it be known that it would really be disastrous if our Congress should turn down the British loan; oh, not that he is concerned about the loan himself, and Britain, of course, could get along without it and was making a tremendous sacrifice to accept it, but it would just upset world affairs completely. In fairness to Mr. Morrison and a commentary on us, is the fact that he did not bring up the loan until some brilliant Washington correspondent asked him about it.

Later in the day, Mr. Morrison met a smaller group of newspapermen at a cocktail party given by the Overseas Writers. Once again he didn't seek to impose any propaganda upon the group. But they insisted upon it. Talk to us more frankly, they beseeched, than you did to the larger group this noon at the National Press Club. As a matter of fact you can talk to us just as if you were talking to your wife. Whereupon, this British statesman took his hair down. He thought perhaps, just confidentially among ourselves, that if we worked it right, we would be able to put the loan over on the British people. They don't like it. It has required a tremendous parliamentary skill on the part of men like Morrison, and a good joke it is on us too because we didn't think a Socialist government could handle these things, but nevertheless if we act just right, the British are liable to take this loan in good grace.

Mr. Morrison didn't want, apparently, to say these things. We Washington correspondents, being ever on our toes, and always wanting to meet big men, forced him into saying them. We really drew him out.

We recall that upon the occasion of Prime Minister Attlee's visit, we members of the Overseas Writers really excelled ourselves with a luncheon at which we magnanimously invited other newspapermen. Some wag unfavorable to the prime minister, probably a Morrison man, had passed out the word that he was a "sheep in sheep's clothing."

He must have wondered just who the correspondents were. Having been told by his advisers that this was really a hard-boiled group of newspapermen who would really get at his thinking, he was obviously amazed as well as relieved when the questions began to center around: "What are you and Mr. Truman going to do about the atomic bomb?"

It was quite apparent that the Atomic Bomb was the least of his worries. The financial expert, Sir Maynard Keynes, sitting right next to him, and all of the men in his entourage being financial men, it was apparent that his concern was money, not bombs. Yet his inquisitors insisted upon asking him questions about the bomb. At first he was amazed, then it occurred to him that a mysterious attitude about the bomb would cover a multitude of sins. It was interesting to note the change of expression on his face. He had thought he was going to be asked some pointed questions and then to have the interrogation turn around this thing, constituted a vast relief. He became quite coy and inferred, inasmuch as the correspondents were insisting it was that way, that yes, he and Mr. Truman were really groping with the problem of the atomic bomb. It is doubtful if they ever mentioned it until the time came for the issuance of a communique by which statesmen tell their people of their decisions. In this communique, Mr. Truman and Mr. Attlee announced an agreement on the atomic bomb and whatever that means, we will defy anyone to say. But it was hailed as a tremendous accomplishment by the American free press, when what these men had really been talking about was finances.

After the parade of Britishers, after Morrison, we asked a British journalist, if he really thought Britain could survive without the loan.

"Hell no," he said.

In this event we hope we will be able to force it upon them.

Private Residential Building Rises

The continued gains in private residential building during the past few months caused the volume of new family dwelling units started in the third quarter of this year to exceed that of the corresponding period of 1944 by 69%. This was in spite of the virtual termination of the public war-housing program on V-J Day, the Bureau of Labor Statistics of the U. S. Department of Labor announced on Dec. 6. Private builders put 61,500 homes under construction during the third quarter of 1945, 22% more than in the preceding 3 months and more than in any quarter since July-September 1942. Federal construction, on the other hand, dropped from 5,700 family dwelling units in the third quarter of 1944 to 3,300 in the same months of 1945.

The Labor Department's report continued:

Although the recent increases in the volume of private housing have been considerable, residential construction as a whole is far below prewar levels, and only a start has been made toward relieving the pent-up demand for homes. The total of 154,900 new nonfarm dwelling units put under construction during the first 9 months of 1945, while 14% greater than the 135,800 units begun during the corresponding period of 1944, was only about one-fifth of the 1925 peak and less than three-tenths of the post-depression peak in 1941.

Average permit valuations continue to mount, reflecting the relaxation of cost ceilings on privately financed homes and the consequent tendency to build houses in the higher price brackets. During the third quarter of this year, valuations reported by private builders on their applications for permits to build averaged 8% more than in the preceding quarter and 31% more than in the first 3 months of the year. The average valuation of private dwelling units started in urban areas from January through September 1945 was one-fifth higher than in the corresponding months of 1944. Total valuations for 1945 exceeded the 1944 figure by 34% —$510 million as compared with $381 million.

These estimates, based on building permits issued and Federal construction contracts awarded, were prepared by the Bureau of Labor Statistics of the United States Department of Labor. The nonfarm area of the United States is defined as including all incorporated places and all unincorporated places except farms.